

## The Determinants of CSR in Algerian SMEs: an Empirical and Exploratory Study

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**Abstract:** Recently, there has been a questioning of "classic" management in Algerian companies accompanied with international competition. Currently, as much as the Algerian government has become increasingly interested to SMEs, it has also interested to corporate social responsibility (CSR). However, the most of Algerian SMEs have a lack in social and environmental commitment. In fact, the structures of these SMEs often do not allow them to respond effectively to social and environmental problems they face. The objective through this study is to determine the concept of CSR in Algerian SMEs. The question that guides this research is to know how SMEs' managers perceive the concept of CSR. And the main hypothesis of this research is: "knowing the perception of the concept of CSR which allows leaders to better conduct any program of mainstreaming CSR into the business." For that this research depends on a quantitative analysis through a survey conducted with 86 Algerian SMEs from January 2012 to May 2012. The obtained results have helped to determine and develop CSR concept, as well as these results have allowed proposing a scheme of analysis to improve social and environmental commitment in Algerian SMEs. Hence, the action of Algerian SMEs in favor of socio-environmental commitment is primarily motivated by mainly regulatory issues.

**Keywords:** Corporate Social Responsibility, Environmental Commitment, SMEs, Management, Algeria.

### 1. Introduction

For over a decade, there has been a questioning of "classic" management in Algerian companies. It has been faced with international competition because of the choice to a market economy, the development of these companies, sustainability, competitiveness that involves organizational change and imposing stricter management of physical assets and human resources, as well as the support of the environmental and social dimension as otherwise voluntary binding because of institutional arrangements.

Corporate social responsibility's issue requires us to clarify a difficult concept to define in theory and practice, because the concept of CSR is generally a logical social and cognitive. The process of analyzing the perception of CSR in Algerian SMEs is more complex than it is for a developing economy context in provisions relating to the transition process.

Recently, Algerian SMEs are at the center of industrial policies and political concerns anxious to preserve and expand employment. But despite these advantages, Algerian SMEs in their majority give very little interest in social and environmental commitment. In fact, these SMEs have structures that often do not allow them to respond effectively to environmental problems they face. One of the hypotheses to explain this lack of environmental commitment in Algerian SMEs posits

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that beyond the constraints of this category of enterprises, they have not received adequate support for environmental commitment. Our hypothesis is assumed that this support cannot be achieved without a thorough knowledge of the social and environmental SMEs.

In other words, in a sustainable development approach where the support is a prerequisite for engaging in responsible management, the relevance and effectiveness of this commitment are now closely dependent on knowledge responsible practices for SMEs and particularly the perception of SMEs' managers in the notion of 'Corporate Social Responsibility.'

## **2. Issues and research hypothesis**

This study aims to analyze the concept of CSR in Algerian SMEs. The question that guides this research is to know what is the perception or more precisely (definition - representation) of the concept of CSR among SMEs' managers. In other words, our research focuses on how SMEs' managers perceive the concept of CSR.

The choice of leaders is justified by several reasons. In the SMEs' structure, the main actor is the undisputed leader, often owner-manager or entrepreneur. Also, the importance of leadership in the context of research in SMEs is often found in the literature. This approach is all the more justified because of the importance of SMEs in their business. The SMEs' managers are key players in the implementation of company policy.

The main hypothesis is: "knowing the perception of the concept of CSR which allows leaders to better conduct any program of mainstreaming CSR into the business." In other words, "a better understanding or representation of CSR' concept pushes SMEs' managers to implement more effectively the whole process of integration or upgrade to a more responsible management." This assumption leads us to compose two questions and formulate our problem thus:

-1) What are the perceptions of SME's managers for CSR concept?  
(Definition, dimensions, components ....)

-2) What is the representation of SME's managers to have the concept of CSR?  
(Nature of responsibility, focus, integration approach ...)

To answer these questions and to analyze both the perception and representation of CSR in Algerian SMEs, this study approach is essentially exploratory. This study was conducted through survey using a questionnaire sent to over 86 SMEs. The data were processed by statistical analysis leading to the identification of a typology of companies distributed in the form of classes. These classes are developed based on the nature of the dimensions and the degree of importance given to social concerns.

The purpose of this typology is twofold: on one hand, allow the identification of several groups of SMEs with similar practices in terms of criteria such as size of SMEs, industry ... etc, on the other hand, help diagnose any process of integration of CSR based on group membership.

The first part aims to review the development of the concept and definitions, as well as the theoretical framework for CSR. The second part presents the results of the empirical study of managers of SMEs.

## **3. Social Responsibility or societal: Concept and evolution**

The term "CSR" is a concept that is always open to debate. First, is it Corporate Social Responsibility a Social and Environmental Responsibility? Also, the "S" refers to a social responsibility or "Societal"? In our study, we choose to use the term social responsibility, not societal. The literature specific to the management science research on the topic of CSR can be noted that the term "social" is widely used in Anglo-Saxon research, to the detriment of the term

"societal". Indeed, even if the term "societal" has a broader meaning in the French context and in the English vocabulary, social is considered in its broadest sense possible. This term refers to social responsibility within the company to all employees, and social responsibility towards the community.

The concept of CSR is intriguing ambiguity and different interpretations that can generate (Laarraf, 2010). To clarify and reduce this ambiguity, this study proposes to present a brief history, theoretical foundations and multiple main definitions relating to different disciplinary fields. Finally, it concludes by stating the definition in the context of this research.

### 3.1 Literature review

With this historical detour, it seems to have a particular value in a context where the notion of CSR remains unclear, and where the meaning of this concept is in part building (Acquier, Aggeri, 2006). Often it associates CSR or sustainable development and ecology, while the concept of CSR has emerged well before these phenomena.

This study will look at the history of this concept and the various meanings which it gave rise. These differences reflect the meaning of "complexity" of CSR, where the difficulties to define it.

The social responsibility of business is not a new theme (Henderson, 2005; Pasquero, 2005). Since the thirties, the question of the morality of leaders and codes of conduct arises with the work of Berle and Means (1932) and Barnard (1938). The fifties were marked by a multitude of articles and books on this subject. The debate develops around a controversy about whether or not a company's social responsibility that marks this time with a strong opposition (Pasquero, 2005). According to this author, the liability of the company is possible only with respect to its shareholders.

Considered the "founding father" of the concept of CSR is based on the work of Bowen (1953) the concept of CSR emerged in business management. In his book, *Social Responsibilities of the Businessman*, Bowen argued that companies should integrate social strategy. Although the early work dating from the thirties, the concept of social responsibility has taken its real boom in the late sixties. However, the contributions of Carroll (1979, 1999) have made significant elements of social responsibility with the proposal of a new concept of "corporate social performance". Reflections as well as Clarkson (1995) showed that the concept of CSR can be applied using a system based on the company's relationship with individuals and groups affected by its activities and objectives.

According to Wood and Jones (1995), the model of corporate social performance of Carroll (1979) was based on three dimensions represented on three axes. The first dimension on one axis shows four types of responsibilities: economic, legal, ethical and discretionary. The second axis represents the philosophical Management and the third represents the particular social contexts. In most academic work, there is no return on the different types of responsibilities of this model, represented in a pyramid. Legal responsibility is to make accounts with the requirements of the law. Ethical responsibility is to submit the economic activity of the ethical obligations constituting practices socially constructed and supported. Discretionary responsibility consists of all forms of responsibility that goes beyond the moral mandatory responsibility.

According to Carroll (1979) CSR is a concept which includes "all the obligations that the firm has against to society - which includes categories-economic, legal, ethical and discretionary." This definition is consensual insofar as it recognizes, while accepting other forms of legitimacy, the supremacy of economic responsibility. Economic responsibility is to produce goods and services demanded by society to make benefit. Legal liability attaches to compliance with laws, while ethical responsibility for actions not legally codified but expected by society. Finally, the discretionary responsibility is left to the discretion of the manager.

This scale provides a general definition of responsibilities for those that cannot be avoided as the regulatory and economic obligations to those that can fully choose as the most ethical and discretionary. In fact, "each of these levels depends on that which precedes it" (Capron, Quairel,

2007). Carroll, with his model, thought synthesizes historical claims of the company in respect of the company.

In addition, Wood (1991) defined the CSR "as an enterprise configuration where the principles of social responsibility, processes of social feedback and observable results contribute to forge links between business and society." The author proposed a three-dimensional model: motivation, action and result. These dimensions provide, including the structural principles of social responsibility, as the dimensions of individual, organizational and institutional (Wood and Jones, 1995).

The examination of these two models leads this research to discuss the various currents of thought of CSR. Gendron (2000) took over the typology of stakeholders of Donaldson and Preston (1995), to argue that CSR has grown from three schools of thought:

-The "Business Ethics" gives mission to the company and social and moral objectives to dominant normative;

-The "Business and Society" is a common description which aims to analyze an operational perspective, the practices and approaches of business. It is supported by the theory that makes the company and society both entities synergy, continuous interaction and therefore not compartmentalized;

- The "Social issues management" is dedicated to the study of the impact of CSR initiatives on business performance. This line of thinking is the concept of CSR factor improving business performance.

### **3.2 Dimensions of Corporate Social Responsibility**

A review of the literature shows that CSR is a concept with multiple meanings generated by different ways of defining the same term CSR. According to Dahlsrud (2006), there are 37 academic definitions of CSR that highlight its key categories and goals, as well as the type of responses offered by companies - whether they are "necessary", "expected" and "desired" to go beyond economic performance (Carroll, 1979, 1999).

CSR goes beyond the economic and regulatory framework includes voluntary activities, which take into account the social system as a whole and pave the way for social sensitivity (Ackerman and Bauer, 1976). In this regard, Alexander Dahlsrud gathered definitions of CSR and subjected to constant analysis designed to identify common problems and peculiarities.

The analysis showed that there are a number of five dimensions which focus the full range of meaning of the concept. The dimensions identified in 37 CSR definitions proposed in the literature by 37 authors between 1980 and 2003, are presented in the following table 1 (Dahlsrud. 2006).

**Table 1**  
**The Five Dimensions, how the Coding Scheme was Applied and Example Phrases**

Dimensions	The definition is coded to the dimension if it refers to	Example phrases
Environmental Dimension	Natural environment	« a cleaner environment » « environmental stewardship » « environmental concerns in business operations »
Social Dimension	The relationship between business and society	« contribute to a better society » « consider the full scope of their impact on communities »
Economic Dimension	Socio-economic or financial aspects, including describing CSR in terms of a business operation	«contribute to economic development» « preserving the profitability of business operations»
Stakeholder Dimension	Stakeholders or stakeholder groups	«interaction with their stakeholders» « how organizations interact with their employees, suppliers, customers and communities» «treating the stakeholders of the firm»
Voluntariness Dimension	Actions not prescribed by law	« based on ethical values » « beyond legal obligations, voluntary »

Source: A. Dahlsrud. 2006

According to this study, the analysis of the concept of CSR shows that the environmental dimension is less present in the definitions of CSR. This absence may be explained by the fact that the literature has not included this in the original definitions. Also, the environmental dimension is integral part of the concept of CSR.

Moreover, regardless of the size taking into account the definitions, the concept of CSR is a series of questions about how, by its actions, a company can be properly evaluated the impact it produces on social, economic and environmental.

For a good illustration of the variety of understandings of the concept of CSR and dimensions defined by them, we reproduce below some of the definitions proposed by different authors or international organizations:

#### 4. The Empirical Field of the Study

This research conducted an exploratory survey of 86 Algerian SMEs from January 2012 to May 2012. As such, this study used a questionnaire addressing SMEs' managers. The questionnaire covers three main themes: the first theme focuses on the general profile of SMEs and leaders. The second theme is to analyze the perceptions of SMEs' managers for the concept of CSR. The third theme identifies the degree of concern or importance that leaders in the integration of the concept of CSR in SMEs' management. Results were analyzed by the "SPAD Data Mining" software.

#### 4.1 Methodology of the Empirical Study

For the realization of this empirical study, this research opted for an approach that consisted of interviewing SMEs' managers. This approach is based on a questionnaire administered primarily by electronic mail. The questions focus on the practices of SMEs in terms of perception of the concept of CSR by leaders, and the importance attached by them to the integration of the concept of CSR.

From the questionnaire responses of 86 SMEs, this study could build a database of 23 variables. The variables were, for the majority of qualitative kind (Nominal). Then, by using SPAD software, the database was summarily dealt with sorting flat and cross-tabulations, and mainly analyzed by the method (MCA) - Multiple Correspondence Analysis - to allow the development of typologies. The choice to analyze our database by one method (MCA), is explained by the desire to develop a typology for the classification of SMEs based on the one hand, the nature of perception of CSR and secondly, the level of importance or concern given by SMEs' managers to the concept of CSR (very important or not important at all).

Indeed, using a representation of the relationships between all active dummies, this research could define a mapping that present the positions of the companies based on their responses.

#### 4.2 Summary of Results of the Empirical Study

In this empirical synthesis, it first presents the time profile of the sample through the structure of SMEs by sector, size and the degree of concern of leaders in CSR.

##### - a) The Structure of the Sample by Sector

The structure of the sample is composed mainly of SMEs in building and public works, agriculture and industry. However, SMEs in the service sector account for only 17% (see table 2).

**Table 2:**  
**The number of SMEs by sector**

Sectors	Number of SMEs	Percentage (%)
Agriculture	12	14%
industrial	22	26%
Buildings and Public Works	35	41%
Services (transport and communication, hotel, cafe, restaurant ...)	17	20%
Total	86	100%

##### - b) The Structure of the Sample by the Size of the SME

From Table 3 it shows two important elements:

- A high concentration of very small enterprises
- A weak presence of the medium.

Both are revealing characteristics of the composition of the SMEs' population in Algeria.

**Table 3:**  
**The number of SMEs by number of employees**

Size of SMEs	Number of SMEs	Percentage (%)
Very small business (from 0 to 10 employees)	40	47%
Small business (from 10 to 49 employees)	28	33%
Medium business (from 50 to 250 employees)	18	21%
Total	86	100%

**- c) The Degree of Concern about CSR**

The results show that only 14% of SMEs' managers consider concern for CSR as "very important" in the management of their business. Also, for more than 56% of managers of SMEs, this concern is not or "not at all important." (See figure 1)

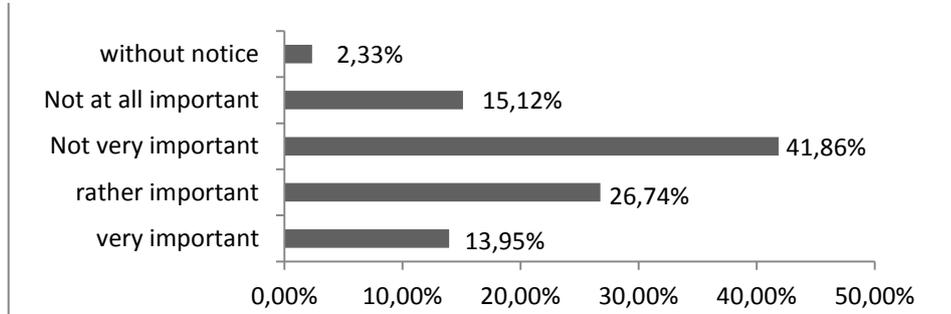


Figure 1: The level of concern for CSR

**- d) The Degree of Concern and Types of SMEs**

The results confirm that there is a very strong link between firm size and the degree of its consideration of social-environmental dimensions investigation. SMEs, whose size is small or medium has a greater degree concern than SME's of a very small business (see figure 2).

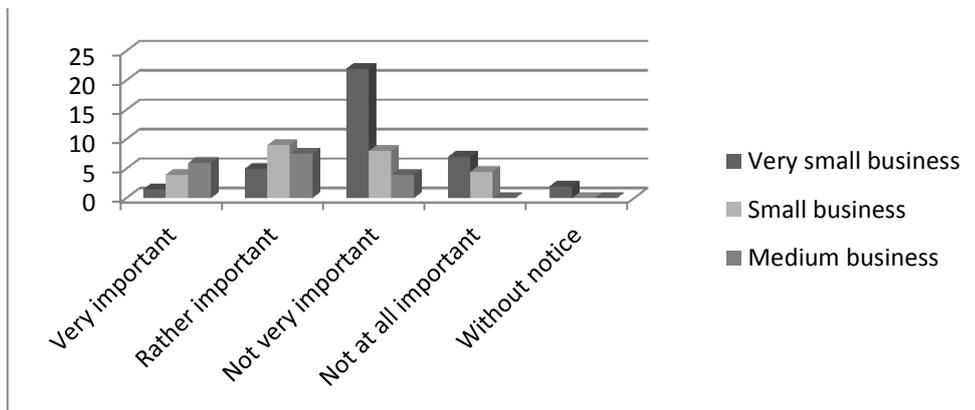


Figure 2: the Concern CSR type of SME

In view of these results, in Algeria, the CSR concern usually reserved for large corporations. However, even if the leaders of the Algerian SMEs consider CSR as concern rather not important, these managers often implement actions responsible management. This fact reflects a real consideration of environmental, social issues in SMEs, but not necessarily the establishment of formal measures.

**- e) The Nature of CSR by SMEs Type**

The analysis of the survey results confirm that there is among SMEs' managers, a very limited vision of the notion or concept of CSR. For most managers, on the one hand, the concept of CSR mainly integrates social concerns; on the other hand, managers suggest that these concerns are taken into effect on the basis of regulatory integration.

### 4.3 The typology of the Perception of the CSR Concept in Algerian SMEs

Factorial analysis applied to the results of the quantitative survey which focused on 86 SMEs has allowed us to develop a typology linking two characteristics -according to the figure 3- first, the nature or appearance of the concept of CSR (Regulatory or Voluntary). And second, the level of importance or concern given by SMEs' managers to the concept of CSR (very important or not important at all).

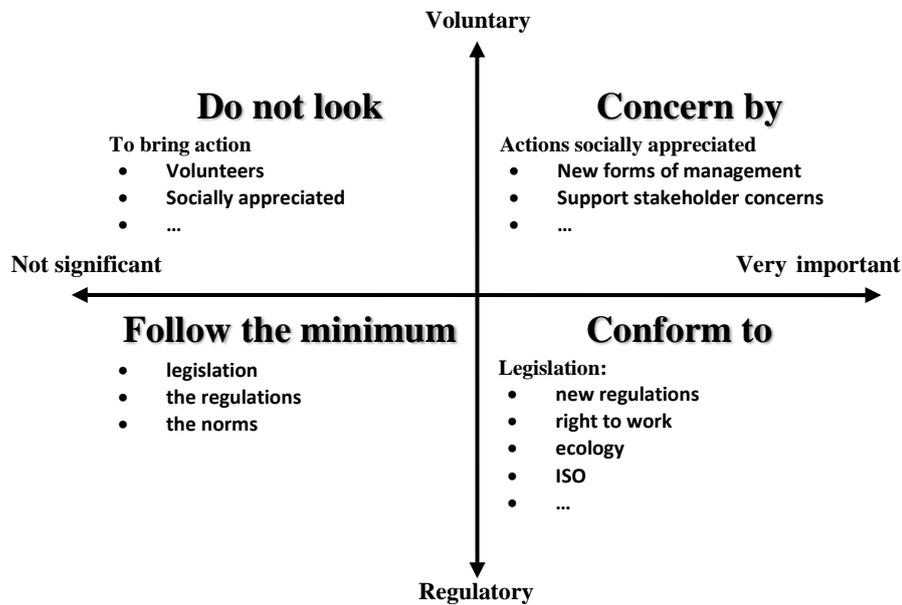


Figure 3: Typology of the perception of the concept of CSR

From this typology (Figure 3), this study was able to develop a new typological classification that has an evolutionary process by which SMEs go through three stages of consideration of the social dimension in the management of the company. This process of evolution is based on a stepwise path that represents the evolution of awareness of issues related to the SMEs' social responsibility. Indeed, this typology can identify three types of SMEs (Figure 4).

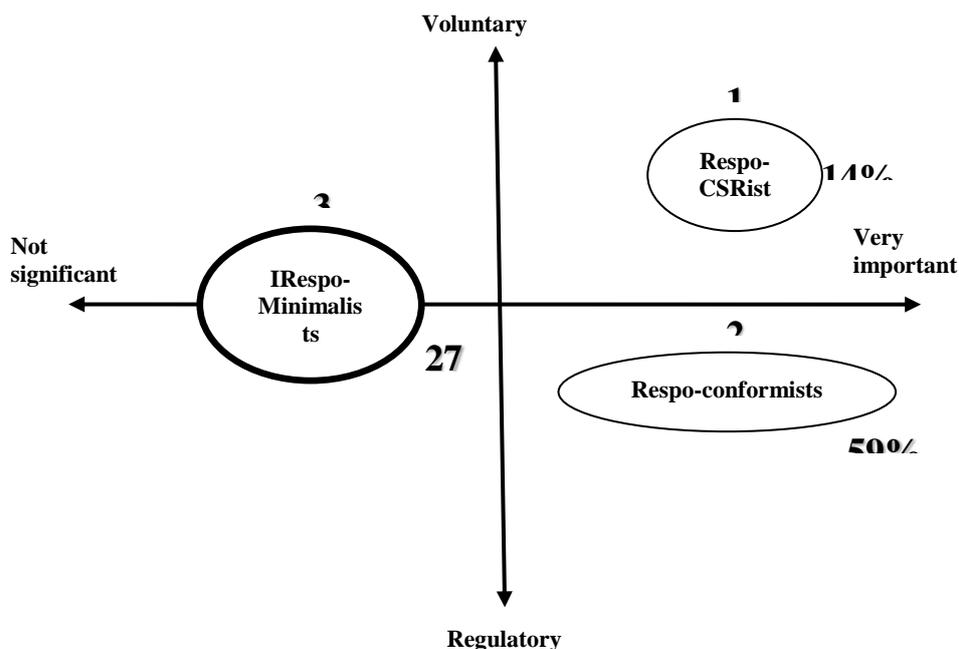


Figure 4: Typology of the perception of the concept of CSR

The three categories are:

**IRespo-minimalists:** This category is composed of more than 27% of SMEs surveyed, mainly composed of construction sector, SMEs are characterized by a lack of interest in social responsibility. Also in this class of SMEs' leaders not only do not seek to establish voluntary and socially significant actions, but sometimes admit to not respect the laws and socio-environmental standards. Lack of motivation for the implementation of CSR and the very low level of concern about the problems of CSR are the main characteristics of this group.

**Respo-conformists:** This category represents 60% of the SMEs surveyed. Leaders opt for the reduced CSR activity, because often they are limited to transcribe systematically and regularly in their activities all laws and new regulations from the mentor in the field of CSR.

The fundamental objective of these SMEs is compliance with the legal framework for their activities. In this group, the leaders are very sensitive to social and environmental problems; however, their perception of CSR is fundamentally conformist character.

**Respo-CSRiste:** This category is very small minority (13%). The leaders have a perception that conformist. Recognizing the growing importance of CSR in the management of the company, the leaders of these SMEs do not hesitate to seize all opportunities that may enable them to implement voluntary and socially significant actions. Moreover, if the activity of these SMEs is mainly in the sectors of industry and services, the profile of leaders is marked by a rather high level of training because over 75% have a higher university level.

#### To a Process of Perception of CSR Steps

From the previous typology, it can propose an analytical process of CSR in Algerian SMEs. This grid is based on perceptions of CSR and the level of concern about the socio-environmental issues. The process of SMEs' evolution passes through three stages (see figure 5).

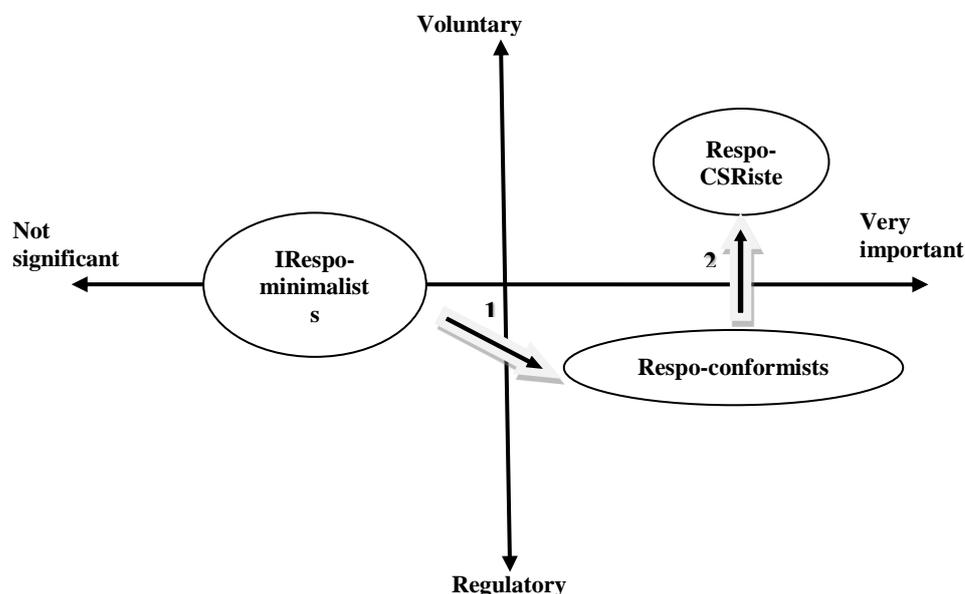


Figure 5: Steps in the process of development of SMEs

The first step is the situation "IRespo-minimalists" where the company gives no importance to socio-environmental problems. For the second step, the company began to enforce regulations without and simply become "Respo-conformists." During the third stage, the company voluntarily seeks all opportunities to develop voluntary and socially significant actions. In other words, managers are true responsible managers or "Respo-CSRiste."

## Conclusion

The study of corporate social responsibility in Algerian SMEs is relatively new to the extent that the majority of them were created during the period 1995-2010. SMEs' managers are increasingly aware of the direct economic value that can be put on the integration of the whole process of social responsibility.

The results of the survey provide, firstly, an overview on the perception of the concept of CSR by SMEs' managers and secondly, they show that the concept of "CSR" remains relatively unknown in Algerian SMEs. Moreover, they show, that the representation of the concept of CSR is based largely on compliance of SMEs' practices with regulatory aspects (labor regulations, labor law and safety ... etc). It is also interesting to note that the action of Algerian SMEs in favor of socio-environmental commitment is primarily motivated by mainly regulatory issues. This partly explains the "Respo-conformists" behavior of SMEs' managers. Indeed, these officials merely transcribe systematically and regularly in their work with all laws and regulations.

The study shows that the leaders of the Algerian SMEs lack strategic logic against CSR. The latter is seen as a constraint by SMEs. In this regard, the objective of the leaders is generally limited to regulatory compliance with a purely operational sense. Also, some SME managers are insensitive to social and environmental problems especially in very small enterprises. However it may be noted, that low concern leaders in social issues can be explained by the lack of societal and governmental pressure of CSR in Algeria. Therefore, it is appropriate to ask why the poor perception of the concept of CSR in SMEs. This study can cite the following reasons:

- CSR approaches and resulting benefits are not well known by SMEs' leaders.
- Legal incentives are considered by some as sufficient. However, this design opposes the philosophy of CSR sensible based on voluntary behavior.
- The main driving force behind the empowerment of SMEs is not ethical in itself, but economic rationality, guided by the appearance of concrete benefits of responsible actions.

Meanwhile, this research has some limitations. Indeed, the small number of SMEs (86) does not allow a generalization of the results to the entire population of Algerian SMEs. Also, in terms of methodology, the limitations are related mainly to the nature of the investigation process. Indeed, to study the perception of managerial concept as CSR, using a qualitative approach based on interviews is consistent and appropriate for a quantitative approach based on a questionnaire.

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