

CSR in SMEs: an analysis of donor-financed management tools

Peter Lund-Thomsen, Dima Jamali and Antonio Vives

Peter Lund-Thomsen is an Associate Professor based at Department of Intercultural Communication and Management, Copenhagen Business School, Copenhagen, Denmark. Dima Jamali is a Professor/Associate Dean based at Olayan School of Business, American University of Beirut, Beirut, Lebanon. Antonio Vives is a Consulting Professor based at Department of Civil and Environmental Engineering, Stanford University, Stanford, California, USA.

Abstract

Purpose – This paper aims to analyze the potential and limitations of donor-financed management tools that seek to promote corporate social responsibility (CSR) in small and medium-sized enterprises (SMEs) in developing countries. Drawing on key insights from three streams of literature relating to institutional theory, critical perspectives on CSR in developing countries and the literature on CSR and SMEs in the developing world, the potential and limits of donor-financed management tools aimed at promoting CSR in developing country SMEs are analyzed.

Design/methodology/approach – Using official UN and Organization of Economic Cooperation and Development lists of all multilateral and bilateral donor agencies, 38 donors that might have produced such CSR tools were identified. The authors contacted them via e-mail and/or telephone, and conducted an extensive Internet search with the aim of identifying whether they had developed management tools aimed at promoting CSR in SMEs in developing countries. The authors then scrutinized the contents of the 11 tools identified and examined the extent to which these tools accord attention to contextual differences and specific peculiarities of institutional environments in developing countries; the extent to which these tools account for the silent or sunken aspects of CSR which have been prominently highlighted in the SME – CSR literature; and the extent to which these tools accord attention to the paramount concern for poverty alleviation in developing countries.

Findings – Overall, the analysis testifies to the continued predominant orientation of these tools to the context of larger firms in developed countries, with insufficient tailoring or customization to the specific realities of SMEs in the South.

Research limitations/implications – In-depth interviews with aid agency personnel, SMEs, workers or community members were not conducted. Hence, this study should be seen as an initial, exploratory desk study of the potential and limits of management tools aimed at promoting CSR in SMEs in the developing world.

Practical implications – It is suggested that donor agencies could develop such tools in a bottom-up fashion by first mapping the silent CSR practices of SMEs in developing countries and then use this as a basis for strengthening existing CSR activities in SMEs instead of trying to impose new priorities from the outside. This might enhance the local relevance and applicability of these management tools.

Originality/value – The study is likely to be the first analysis of the potential and limits of management tools that are developed by donor agencies with the aim of promoting CSR in SMEs in developing countries.

Keywords Developing countries, Small and medium-sized enterprises, CSR management tools, International donor agencies

Paper type Research paper

1. Introduction

Small and medium-sized enterprises (SMEs) account for more than 90 per cent of the world's enterprises and 50-60 per cent of employment. Their contribution to national and regional economic development and gross domestic product growth is well-recognized (Morsing and Perrini, 2009). In fact, SMEs are often characterized as fostering enhanced local productive capacities; innovation and entrepreneurship; and increased foreign direct investment in both developed and developing countries (Raynard and Forstater, 2002). Hence, while SMEs account for more than 60 per cent of employment in developing

Received 6 February 2013
Revised 10 June 2013
Accepted 28 June 2013

countries, and although they are sometimes portrayed as key vehicles in the struggle against poverty (Luetkenhorst, 2004), there is still a critical lack of knowledge about the extent to which these firms may contribute to the achievement of broader objectives of sustainable and equitable development (Fox, 2005; Jeppesen *et al.*, 2012). In fact, when it comes to their role in promoting corporate social responsibility (CSR) in developing countries, the verdict is still out in terms of the extent to which SMEs engage in CSR, and whether their CSR involvement makes any difference to the profitability of firms, workers and the environment in the developing world (Jamali *et al.*, 2009; Sachdeva and Panfil, 2008)[1].

A key source of contestation in the debate about SMEs and CSR has been whether the social and environmental engagement of SMEs could be meaningfully compared to the types of CSR activities of large firms (Jenkins, 2004). Both in developed and developing country contexts, SME involvement in CSR has been seen as more *ad hoc* in nature, less institutionalized and not involving specific CSR departments and/or the production of social and environmental sustainability reports as one might expect in large firms (Jamali *et al.*, 2009). The international literature on the topic also points to the community embeddedness of SMEs' CSR activities, the importance of how local contexts shape their CSR activities and how the personal ethos or religiously inspired ethics of SME managers/owners act as key drivers in their CSR engagement (Murillo and Lozano, 2006; Vives, 2006). Assessments of their contribution to CSR also differ widely with some authors seeing them as a source of local economic development, increasing employment and incomes, while other authors highlight the exploitative nature of work conditions in SMEs and the pollution-intensive nature of their operations (Spence and Lozano, 2000; Raynard and Forstater, 2002; Tewari and Pillai, 2005; Blackman, 2006)[2].

One example of how our understanding of the relationship between SMEs and CSR is still limited is the use of management tools for promoting CSR in SMEs in developing countries. In the past decade, we have seen a proliferation of tools to support the adoption and implementation of responsible practices, sometimes written and tailored specifically for SMEs (Luken and Stares, 2005; Mandl, 2007). These include CSR implementation guides, self-assessment tools, best-practice case studies and e-learning courses which are often adapted from CSR management tools developed for large firms such as the Global Reporting Initiative guidelines and the European Commission Strategy on CSR (Vives, 2011; European Commission, 2011). However, very little research has analyzed the potential relevance and applicability of these management tools in the context of developing countries. Our article makes a contribution to filling this gap in the literature on SMEs and CSR.

Our main line of argument is that the development and integration of management tools for promoting CSR in developing countries are likely to play an important role in signaling the commitment of SMEs toward CSR to internal and external stakeholders. However, there are inherent, structurally embedded limitations to how these tools may be addressing complex social and environmental problems related to the development of SMEs in the developing world. At the same time, most of these tools are designed in such a way that they do not take into account the complex "silent" or informal, invisible CSR practices of SMEs and overriding poverty reduction concerns in developing country contexts. We argue that this might limit their potential relevance and applicability in these contexts.

The article is structured as follows. First, we present our analytical framework which is grounded in recent developments in institutional theory as it relates to CSR, the literature on critical perspectives on CSR in the developing world and the literature on SMEs and CSR in developing countries. In the next section, we discuss the data-generation methods we used for identifying for management tools that aim at promoting CSR in SMEs in developing countries, and how we analyzed the contents of these tools. The third section presents the findings of our analysis before we move onto discussing them in the light of the key analytical streams in the fourth section of the paper. Finally, the conclusion summarizes our

main line of argument, highlighting future research and policy implications stemming from our analysis.

2. Analytical framework

Our analytical framework draws upon three main bodies of literature:

1. institutional theory as it applies to CSR;
2. the literature on critical perspectives on CSR in developing countries; and
3. the broader literature on SMEs and CSR in the developing world.

First, our analytical framework is concerned with the question of how specific international, regional, national or local institutional contexts affect the way in which CSR is institutionalized within SMEs in developing country settings. We here follow North (1990), who defines institutions as “the rules of the game in society or, more formally [. . .] the humanly devised constraints that shape human interaction”. In doing so, we are inspired by recent applications of institutional theory as it relates to CSR (Kang and Moon, 2012; Gond *et al.*, 2011; Brammer *et al.*, 2012). This body of literature seeks to explain how and why CSR differs across national contexts (Matten and Moon, 2008). Hence, from this point of view, arriving at a single overarching definition of CSR should not be the core analytical concern at the heart of institutional theory. Instead the challenge is to understand, analyze and conceptualize how meaning is given to the notion of “CSR” within specific national contexts, which are seen as differentiated and distinct (Brammer *et al.*, 2012).

In their influential article in the *Academy of Management Review*, Matten and Moon (2008) thus made two fundamental distinctions between how CSR was institutionalized in the North American and European contexts. They argued that explicit CSR took the form of corporate policies that defined responsibility for broader societal interests, and that these were more prevalent in the North American context. At the same time, they believed that implicit CSR – more present in Europe – related to the norms, values and rules that resulted “in (mandatory and customary) requirements for corporations to address stakeholder issues and that define proper obligations of corporate actors in collective rather than individual terms” (Matten and Moon, 2008, p. 409).

Going beyond an analysis of why CSR differs in national contexts across the world, institutional theory has also been used to explain how CSR as a management concept is spreading globally (Jamali and Neville, 2011). Drawing on the work of new institutionalism (DiMaggio and Powell, 1983; Meyer and Rowan, 1977), this line of thinking has suggested that organizational and management practices (in this case CSR practices) are increasingly becoming standardized and homogenized with the aim of achieving legitimacy. A key point here is that CSR practices become institutionalized within organizational practices across a range of national institutional contexts to maintain legitimacy in the eyes of stakeholders both internally within and externally beyond the boundaries of companies (Matten and Moon, 2008).

On the one hand, we agree that institutional theory as it has been applied to CSR offers a useful analytical lens to study how CSR is operationalized in the developing world. On the other hand, from the perspectives of development studies, our analytical concern is not only to understand how CSR is institutionalized within and across a variety of national contexts but more importantly, whether this institutionalization of CSR in the developing world makes any difference to the profitability of local enterprises, workers’ conditions and the environment (Prieto-Carron *et al.*, 2006; Newell and Frynas, 2007). This is a core complementary theme we introduce through the literature on critical perspectives on CSR in developing countries. Moreover, drawing upon the literature on SMEs and CSR in developing countries, we question whether the institutionalization of explicit CSR may really enhance organizational legitimacy in the context of SMEs in the developing world. Instead we argue that the homogenization and standardization of CSR practices in relation to

developing country SMEs may be irrelevant given the particular characteristics of developing country SMEs. We will illustrate these points by first elaborating our theoretical framework with reference to the literature on critical perspectives on CSR in developing countries and then turn to the literature on SMEs and CSR in the developing world.

To start with, we draw on institutional theory in this article, because we believe that it is important to highlight the contextual factors, which would facilitate the successful implementation of CSR tools in SMEs in developing countries. In this respect, [Campbell \(2007\)](#) argues that firms will behave in socially responsible ways in contexts where several institutional factors are salient including public and private regulation, non-governmental organizations (NGOs) or other private organizations that monitor corporate behavior, associative behavior among corporations themselves and organized dialogues between corporations and their stakeholders. In the literature on critical perspectives on CSR in these settings, [Newell \(2005\)](#) has similarly argued that for CSR initiatives to be successful, they must be embedded within settings that tend to be mostly characteristic of democratic and industrial contexts. These include the presence of a strong state, a free independent media, the presence of an active and well-mobilized civil society and a private sector that is willing and active to respond to CSR priorities.

However, in the context of developing countries, most of these pre-conditions for effective CSR initiatives are either absent or only partially present ([Prieto-Carron et al., 2006](#)). This is a central theme in the literature on critical perspectives on CSR in developing countries that has been concerned with scrutinizing the theoretical potential and limits of CSR in developing country contexts and the actual impacts of CSR activities on firm profitability, workers' conditions and the environment in the developing world ([Blowfield and Frynas, 2005](#); [Frynas, 2005, 2008](#); [Fig, 2005](#); [Lund-Thomsen, 2005](#); [Newell and Frynas, 2007](#)). For example, whereas many developing countries have relatively advanced environmental and social laws, these are often not implemented – either due to a lack of state capacity or their implementation simply not prioritized by national governments. In other words, developing country governments tend to be more concerned with the promotion of economic development than environmental or social protection ([Prieto-Carron et al., 2006](#)).

In India, for example, the central government has traditionally not taken a strong lead in the enforcement of environmental laws within the country. Environmental enforcement has more been led through the country's judicial system, for instance, in cases, where polluting industries such as leather and/or textile companies have polluted local environments ([Tewari and Pillai, 2005](#)). However, whereas Indian courts at various levels have directed local authorities to (at least temporarily) close down polluting companies, these orders have often not been executed by local enforcement agencies ([Kennedy, 2006](#)). Either due to a lack of capacity or because of local enterprises being able to bribe local officials or otherwise exert influence on local authorities to abstain from implementing these court orders.

In other instances, where the state has the capacity to implement at least some of its environmental and social laws (e.g. in China assuming that we can still label parts of China under the developing country category), there is sometimes an absence of a democratic political system through which a given country's population may elect its own representatives. Without access to political representation, it may be difficult to channel social and environmental concerns into the top levels of regional and national policy making ([Newell and Frynas, 2007](#)).

Hence, our initial argument is that any assessment of the adoption of management tools that are intended to promote CSR in SMEs in developing country contexts must be understood and analyzed within these broader institutional contexts. In fact, it is the interaction between these contexts and the adoption of these management tools which must be at the heart of the analysis if we are to make any assessment of their overall potential in terms of improving the profitability of local enterprises, reducing environmental

pollution emitted by SMEs and improving the work conditions of those employed in these enterprises.

This takes us to our next point. CSR management tools – including those intended to promote CSR in SMEs in developing country contexts – are often rather generic in nature building upon international environmental guidelines and/or labor conventions (in the form of International Labour Organization [ILO] core labor standards) (Vives, 2011). However, whereas the development and use of these tools may be well-intended, they cannot in themselves provide technical fixes to complex social and environmental problems in the context of developing countries (Lund-Thomsen, 2004). Instead issues such as poor working conditions and the emission of environmental pollution at local production sites where SMEs operate in the developing world may be a result of much broader structural forces in the broader institutional environments of developing country firms operating at local, regional, national and international levels (Lund-Thomsen, 2005). For example, the location of pollution-intensive industries such as textile or leather manufacturing in countries such as India, Pakistan and Bangladesh must be analyzed in a larger historical context. The rise of labor costs in the developed world, improved international travel and logistics operations, innovations such as facsimile and the Internet and the tightening of environmental laws in the North were among the factors that facilitated the shift of these industries from the industrialized North to developing countries during the 1960s, 70s and 80s (Hesselberg and Knutsen, 2002). The structural transformation of these global industries now means that pollution-intensive manufacturing industries tend to be located in developing countries such as those mentioned above in South Asia. No matter how well-intended and well-designed, the use of management tools for promoting CSR in SMEs in developing countries cannot reverse this trend. As such, they can do little or nothing to ultimately affect broader structural patterns of economic globalization, which may be a root cause of “local” instances of pollution emitted by SMEs or poor working conditions in these enterprises.

We could use similar arguments and examples to illustrate this point at regional or local levels. However, let us suffice to state here that the international, national, regional and local contexts have clear implications for the potential and limits of the use of management tools intended to promote CSR in SMEs in developing country contexts. Hence, quoting Newell (2005, p. 556), we can say that “mainstream CSR management approaches assume a set of conditions that do not exist in most of the world”. Paraphrasing his work, we thus argue that the challenge is to specify those conditions so that inappropriate models of “best practice” CSR tools are not universalized or romanticized. Instead we should specify the conditions under which CSR management tools for SMEs are likely to work for some firms, in some places, in relation to some issues, some of the time in developing countries. In this article, we therefore draw upon Newell’s point in arguing that management tools for promoting CSR in SMEs in developing countries are likely to be “contextually relevant” if two broad conditions are met.

First, these management tools need to pay attention to the silent, sunken or informal CSR practices so often highlighted in the literature on CSR in SMEs in developing countries. This literature has highlighted how the CSR challenges faced by SMEs in developing countries are often not those directly confronted by larger firms. In fact, SMEs are often portrayed as less frequently making use of CSR instruments than larger firms, less prone to use the term CSR, not having official CSR departments and/or not engaging in publicly available CSR reporting (Spence and Lozano, 2000; Jenkins, 2004; Murillo and Lozano, 2006; Morsing and Perrini, 2009). SMEs are thought to be more enmeshed in the individual personality and values of the entrepreneur/SME owner and manager, locally rooted in the needs of the communities in which SMEs are embedded, consisting of social initiatives aimed at contributing to community welfare and otherwise taking care of the employees, customers and community members (Vives, 2006; Jamali *et al.*, 2009). Hence, while we recognize that these “silent” (Jenkins, 2004) or “sunken” (Perrini *et al.*, 2006) characteristics of CSR in

SMEs may be of relevance in both developed and developing country contexts, we use them as part of our framework for assessing whether management tools aimed at promoting CSR in SMEs in developing country contexts are likely to be locally relevant.

Second, to be relevant in the context of developing countries, we argue that tools for promoting CSR in SMEs must be concerned with the broader objective of poverty alleviation. Poverty can here be understood in a narrow sense of poverty related to income, consumption and employment opportunities (Nadvi and Barrientos, 2004). It may also be seen in the broader context of what Sen (1999) has called an expansion of human capabilities and functionings, arguing that individuals strive for different states of “beings or doings”. These might vary from more elementary states such as being well-nourished to more complex states such as being politically empowered. Hence, individual capabilities and entitlements then refer to the freedom that individuals have to choose the life they wish to lead. From this perspective, poverty is not just related to a lack of income, but more related to a deprivation of basic capabilities. In addition, poverty has also been understood as related to broader issues such as the vulnerability and livelihoods of poor people in developing countries (Chambers, 1983, 1989). Poverty is here seen more as a multidimensional concept that includes issues such as social and physical isolation, lack of (political) voice, low status in society, lack of access to the economic infrastructure including markets and vulnerability to exogenous shocks such as loss of income, climate change and/or environmental pollution incidents (Narayan *et al.*, 2000). Hence, in our assessment framework for determining the contextual relevance of management tools for promoting CSR in SMEs in developing countries, we focus on whether these management tools include provisions that will enable SMEs to contribute to the broader goal of poverty reduction in developing country contexts, touching upon “poverty” in the multidimensional sense of the term discussed above.

In other words, when arriving at an assessment of whether management tools for promoting CSR in SMEs are likely to be “locally relevant” in developing countries, our theoretical framework is concerned with analyzing three particular questions:

1. Do the management tools include any analysis or recognition of how regional, national and local institutional contexts facilitate or constrain the implementation of CSR in SMEs?
2. Do the management tools recognize silent or sunken CSR activities?
3. Do the management tools encourage SMEs to adopt a CSR portfolio that contributes to the overall goal of poverty reduction?

3. Methodology

In identifying management tools that had been designed to promote CSR in SMEs in developing countries, we decided to limit our search to those that had been developed by international donor agencies for two reasons. First, international development agencies often exercise considerable influence in terms of piloting and trying out new approaches to private sector development in the developing world. Hence, if we were to identify tools that had been elaborated with the intention of promoting CSR in SMEs in these contexts, they were likely to have been developed by such international policy actors. Second, as international donor agencies tend to have the promotion of economic, social and environmental aspects of private sector development as part of their mandates, our assumption was that these agencies would be likely – at least in their rhetoric – to pay particular attention to ensuring the local relevance and applicability of these management tools for the promotion of CSR in developing country SMEs.

Hence, we initiated a comprehensive search for such management tools that had been developed by either bilateral or multilateral development agencies. As a basis for our sampling methodology, we used the list of the Organization of Economic Cooperation and Development (OECD) of all official bilateral donors that were members of the OECD

Development Assistance Committee (DAC). The DAC is perhaps the most authoritative body in the harmonization of international aid policy whose members include the largest bilateral donors in Europe and North America (22 in total). Its mandate is to: “[. . .] promote development co-operation and other policies so as to contribute to sustainable development, including pro-poor economic growth, poverty reduction, improvement of living standards in developing countries, and to a future in which no country will depend on aid”(www.oecd.org/dac/developmentassistancecommitteedac.htm accessed 30 May 2013).

In addition, we included multilateral donors in the United Nations System, the World Bank Group and regional development banks in our sample. We here used the official gateway to the United Nations System and related agencies (www.unsystem.org) as the official list for identifying multilateral agencies that might have developed such tools. In doing so, we narrowed our search to those multilateral aid agencies whose mandate included the promotion of economic, environmental and social aspects of private sector development, as these were more likely to be engaged in the development of management tools for enhancing CSR in SMEs. In total, our sampling frame thus consisted of 24 bilateral aid agencies and 14 multilateral organizations. These are listed in the [Appendix](#).

For each of these bilateral/multilateral agencies, we used two data-generation procedures. First, we contacted the head of CSR in each agency via e-mail or telephone, enquiring whether they had developed any management tools aimed at promoting CSR in SMEs. In addition, we undertook a comprehensive Internet search via google.com where we punched in the following keywords: “name of the agency” (e.g. UNIDO), “SME”, “CSR”, “developing countries” and “management tools”. These searches often generated a very high number of hits, sometimes beyond 100,000 per search. Hence, we limited our analysis to the top 50 websites generated by each run on the search engine. In examining these websites, we looked for management tools that were either specifically aimed at promoting CSR in SMEs in developing countries and/or claimed to be promoting CSR in more general terms in developing country contexts, but with a clear indication that the tool was also intended to be used in relation to SMEs. Once we had identified these tools, we scrutinized their contents in three ways. First, we examined whether they made any reference to how regional, national and/or local institutional contexts facilitated or constrained their implementation. Second, we looked at whether the tools encouraged the SMEs to adopt a CSR portfolio that contributed to the objective of poverty reduction. Third, we looked at whether the management tools recognized the importance of silent or sunken CSR activities.

Obviously, our methodology has a number of limitations. First, in choosing development agencies and initiatives financed by such agencies, our article does not cover management tools aimed at promoting CSR in SMEs that might have been developed by governments in the developing world, business associations, consultancy companies or other stakeholders with an interest in SMEs and CSR. Hence, our findings cannot be generalized to tools that might have been developed by these stakeholders. At the same time, we have generated our evidence by contacting aid agencies via e-mail or phone with the aim of initially identifying the tools that have been produced so far by international aid agencies. We have not conducted in-depth interviews with representatives from these aid agencies with the aim of assessing their views of these tools, whether negative or positive. In fact, we have not interviewed the end-users or intended beneficiaries, SME managers, workers or community members in developing countries with the aim of understanding their perceptions of the relevance and effectiveness of these tools. In other words, our article should mainly be seen as an exploratory piece of research that takes a first-cut at identifying how widespread such tools are, examining their potential relevance and applicability in developing country contexts through a desk-based reading and analysis of their contents.

4. Findings

As part of preexisting knowledge of tools aimed at promoting CSR in SMEs in developing country contexts, our extensive Internet search and the e-mail answers received from key resource persons within these agencies, we found that the United Nations Global Compact, the Inter-American Development Bank (IDB), GIZ (the German development agency), the United Nations Industrial Development Organization and the World Bank had developed management tools that purported (at least partially) to promote the development of CSR in SMEs. [Table I](#) contains a short overview of these tools.

As shown in [Table I](#), the United Nations Global Compact has developed an online self-assessment tool, based on the ten principles of the Global Compact. As such it is designed to ensure compliance with its ten principles on human rights, labor, environment and corruption that are the pillars of the Global Compact. In each of these four pillars, items and questions cover most issues related to responsible practices. The interpretation of the corresponding principle has been extended significantly. The tool encourages companies

Table I Tools aimed at developing CSR in SMEs in developing countries		
<i>Institution</i>	<i>Management tool</i>	<i>Main contents</i>
UN Global Compact	Global Compact Self-Assessment Tool	Based on the ten principles of the Global Compact. Claims it is also applicable to SMEs
UNIDO	Responsible Entrepreneurs Achievement Program, REAP	Comprehensive toolkit that includes assessment, implementation and reporting. Software and consultant based
InWEnt Tool 1	Social Standards Exchange of Experience in Southeast Asia and Practical Learning (SEAL) Workbooks	Include background on social management systems, communication and skills development for the implementation of these systems and guidance on training and consulting techniques that facilitate the implementation of social standards
InWEnt Tool 2	SEAL Case Study Book	A tool for the promotion of core labor standards and the optimization of the modular training programs. The book focuses on SMEs in the Philippines and Vietnam and presents their experiences, lessons learned and best practices relating to the implementation of social management systems
InWEnt Tool 3	SEAL E-learning course	Introduces in six modules the social management system used by InWEnt in South East Asia. It shows why social standards are profitable for SMEs and what requirements are necessary for SMEs to use these
GIZ Tool 1	Profitable Environmental Management	An integrated training concept that helps SMEs raise their economic efficiency of production and, at the same time, cope with new environmental-related standards and consumer demand in industrialized countries for environmentally and socially sound products
GIZ Tool 2	Climate Expert	An e-learning program that helps Indian SMEs adapt to climate change by understanding its impacts in India, identifying climate-induced risks for SMEs, evaluating and prioritizing adaptation measures as well as implementing these
Inter-American Development Bank	Guía de aprendizaje sobre la implementación de Responsabilidad Social Empresarial en pequeñas Y medianas empresas	Comprehensive manual for the design and implementation of CSR programs in SMEs, covering all the stages and most sustainability issues
IDB-financed Tool 1: ComprometeRSE (developed in Colombia)	Responsabilidad Social Empresarial: Manual de Implementación	Set of tools for the implementation of responsible practices. Toolkit includes a consultant's manual, implementation and sustainability reporting guides and their "model" for CSR in SMEs
IDB-financed Tool 2: IARSE/ETHOS (developed in Brazil, also used in Argentina)	Herramienta de Auto Validación y Planeamiento	Toolkit with indicators and an implementation manual, based on the original version in Portuguese produced by Ethos in Brazil
World Bank	Managing Environmental and Social Impacts of Local CompaniesA Response Guide and Toolkit	Toolkit for African countries, covering only environmental and social issues for small local companies. The tool has detailed steps for implementation

to complete the Communication on Progress report required for members of the Global Compact. The tool encourages companies to assess topics covered as part of the Global Compact, whereas it does address other issues such as corporate governance and internal human resources management. The questionnaire has 332 questions.

UNIDO has piloted the Responsible Entrepreneurs Achievement Program (REAP), which involves training and certification of consultants so that these may assist SMEs in improving their responsible practices. The system is proprietary and it is not freely available to SMEs to use. Its core elements are the REAP software (analysis, measuring and reporting) and the REAP consulting process (implementation). It is linked to the Global Compact and can be used to prepare "communication of progress" and sustainability reports. It can also provide information for use in certifications, in particular ISO environmental information. It covers social, environmental and anti-corruption issues.

The German government developed a range of tools aimed at promoting CSR in SMEs in developing countries. In its Social Standards Exchange of Experience in Southeast Asia and Practical Learning (SEAL) program (which ran between 2002 and 2008), the German development agency *InWEnt – Capacity Building International* developed a series of workbooks, a case book and an on-line e-learning tool aimed at facilitating the implementation of social management systems in SMEs in Southeast Asia. In 2011, InWEnt merged with the German Development Service (DED), and the German Technical Corporation, to become the German Agency for International Cooperation (GIZ). GIZ has developed the Profitable Environmental Management and Climate Change expert tools. Profitable Environmental Management is an integrated training tool that helps SMEs increase their economic efficiency and reduce their environmental cost, and Climate Expert – an e-learning program aimed at helping Indian SMEs cope with climate change.

The IDB has also produced a guide, which is a very comprehensive tool to support the implementation of responsible practices in SMEs. At over 500 pages, the guide covers many issues such as governance, supply chain sustainability and community relations. It also includes all aspects of implementation, from assessment to strategy development, to implementation, monitoring, reporting and improvement. To use the guide, SMEs will need substantial outside help to prioritize their areas of activity, their depth of involvement and their implementation strategies. While the guide has not been empirically tested, its contents were derived from the IDB's experiences and best practices which are mentioned throughout the paper.

Throughout Latin America, the IDB has also been very active in financing the development of management tools for promoting CSR in SMEs. This included a grant to the Brazilian institute, Ethos, which is the largest CSR promoting institution in the region. Ethos produced the first self-assessment tool, which was later translated into Spanish and adapted in many countries. This was followed by more grants to other institutions to develop support tools for SMEs.

In Argentina, one of the first self-assessment guides in Spanish was produced by an NGO, IARSE, as a translation and adaptation of the Ethos guide. The tool also includes a guide and a web-based questionnaire that can be used for self-assessment and for benchmarking with other SMEs. In Colombia, another tool was developed with support from the IDB. It is the most comprehensive of all guides reviewed in this paper. The tool kit includes self-assessment tools; best practices; guidance on strategy implementation, for consultants, for risk management, for stakeholder management; communication guidance; cost estimation; and implementation guides. All have been prepared specifically for SMEs in developing countries and can be used directly by the SMEs.

Finally, the World Bank has produced a document together with several African partners and other international donors as a guide to social and environmental issues in local companies. It covers many significant social and environmental issues but does not touch upon corporate governance, presumably because these are issues for relatively more

advanced enterprises. It can be used as a self-assessment tool through an extensive questionnaire to assess the current situation and plan for improvements. It offers suggestions on process management, from diagnosis to planning, implementation, improvement, monitoring and reporting.

In the next section, we assess the extent to which these tools embody real potential at promoting CSR in SMEs in developing countries on the basis of our previously developed analytical framework. Hence, we attempt to find out:

- whether the management tools pay any attention to how regional, national and/or local contexts in the developing world might facilitate or constrain their implementation;
- whether any of these tools address poverty reduction concerns; and
- whether they pay attention to the existence of silent and/or sunken CSR practices in SMEs.

5. Discussion

5.1 Contextual factors

As pointed out in our theoretical framework, the adoption of management tools aimed at promoting CSR in SMEs in developing countries must be understood and analyzed within their broader institutional contexts. Institutional theory is helpful in this regard, as it provides insights in how and why CSR may be perceived as a globalizing, homogenizing management discourse that is adopted throughout the world to maintain institutional legitimacy in the eyes of internal and external stakeholders. At the same time, institutional theory is also relevant, because it also seeks to answer the question of how and why CSR is institutionalized in distinct ways within national socio-economic and socio-cultural contexts (including those in the developing world).

In most of the management tools that we have studied here, the focus seems to be on promoting explicit forms of CSR that are rooted in Anglo-Saxon management theory and practice. At one level, their focus is rooted in the concern with the business case for adopting CSR in SMEs. Several of the tools refer to this as an important aspect of engaging SMEs in CSR. For example, the UN Global Compact tool refers to issues such as managing risk, realizing efficiencies and creating sustainable products in explaining why SMEs in developing countries ought to engage in CSR. Similarly, the World Bank's instrument refers to benefits such as cost savings, improvements in productivity and quality, access to new market and business opportunities, access to supply chains, learning and innovation, enhanced company image and a safer/better working environment as being among the benefits that SMEs obtain from engaging in CSR. In addition, REAP of UNIDO uses almost identical language in explaining the business case for CSR in SMEs: better alignment with markets, enhanced staff loyalty, improvements in productivity and quantity, consumer response and satisfaction, cost savings and partnership opportunities.

The concern with the promotion of explicit CSR is also clear when we look at the actual contents of the tools, and how they are implemented. For example, the SEAL workbooks aim at introducing social standards into SMEs. Hence, the contents of the workbooks focus on issues such as social management system requirements, legal requirements for their implementation, documenting social management systems and using internal audits. Ensuring their effective implementation is also sought through effective communicative strategies, supervisory skills development, negotiation, conflict and stress management techniques. PREMA offers another version of implementing explicit forms of CSR through short training modules that are more concerned with enhanced resource management efficiencies, good housekeeping methods and environmentally oriented cost management in SMEs in developing countries. Moreover, we find that the IDB-financed tool, *ComprometeRSE*, seeks to benchmark the performance of SMEs against "universal" (read: Western) criteria for good CSR performance. Hence, it establishes indicators for CSR

performance in SMEs in the areas of company values and transparency, internal stakeholder management, environmental management, supplier engagement and relationships with clients, local communities and the government/broader society.

In other words, as the name of PREMA (“Profitable Environmental Management”) indicates, the main rationale and implementation instruments revolve around the idea that businesses will increase their profits by being socially and environmentally responsible. From this point of view, we could interpret donor agencies’ advocating the use of CSR management tools for SMEs as a wider attempt at bringing developing country SMEs into conformity with the values, norms, criteria and management techniques of “explicit forms of CSR” and the wider mainstream or discourse on CSR in developed countries which may not always be relevant or identical in the developing world.

Whereas the majority of the management tools seem to be concerned with the promotion of explicit forms of CSR in developing country SMEs, some of them also make reference to the importance of understanding regional, national or local-level institutional factors. For example, the World Bank tools recognize the “constraints on development” in Africa such as drought of semi-arid lands, the fast rate of population growth, a substantial external burden of debt and a deepening environmental crisis. However, although the tool was developed on the basis of a review of best practice and the experiences of East African companies and World Bank partners, these “development constraints” do not appear to have been factored into the design of the tool. Instead, the tool embodies an explicit approach to understanding CSR such as environmental and social leadership commitment, response planning and strategizing, policy development and environmental and social reporting.

There is also evidence to suggest – to a limited extent – that some of the other management tools acknowledge the importance of understanding regional, national or local-level contextual factors that might affect the implementation of CSR in SMEs. For example, the SEAL workbooks that deal with the implementation of social standards repeatedly highlight how national-level legislation in Indonesia, Vietnam and the Philippines are in line with international social or labor standards such as the ILO. The SEAL case-study book also highlights company case studies from the same countries, focusing on the policy changes, the health conditions, the training undertaken and the facilities that have been developed as part of the SEAL program. In addition, the SEAL case-study book recognizes that “the Vietnam implementation was fraught with challenges. Like in the Philippines, Social Management Standards only generated mild interest in the SME community. Though most SMEs acknowledge the importance of adhering to social management standards (through SA8000 and others), they still prioritize this of lesser importance to adhering to more technical standards that would immediately increase their productivity” (p. 28). Perhaps this is not a surprising finding, given the focus on promoting explicit forms of CSR in most donor-financed management tools. At least, the management tools tend to consistently overlook the silent or informal CSR approaches that have previously been documented in the literature on CSR in SMEs in developing countries.

The only tool that seems to have a very clear analysis of how national, regional and local-level institutional factors affect the implementation of CSR in SMEs is the GIZ’s online learning tool, Climate Expert. The climate expert tool seeks to increase the awareness and capacity of Indian SMEs in relation to climate change adaptation. This on-line learning tool contains a very thorough introduction to climate change as a subject. It illustrates how climate change has affected India in the past, and outlines how climate change is likely to affect India at the national, regional and local levels in the years to come. Next the tool goes to explain how Indian SMEs are likely to be directly and indirectly affected by climate change. For example, it mentions direct risks such as flooding which might damage manufacturing facilities, limits to operational ability due to lack of ground water and health problems and reduced productivity of employees due to extreme heat in the increasingly hot Indian summers. Indirect risks relate to procurement risks such as changing energy or

natural resource prices; market risks as consumers need less warm clothes; regulatory risks such as emissions allowances; and, finally, reputation risks which might arise from SMEs not paying attention to climate change as an important company issue.

In other words, analyzing the management tools from the perspective of institutional theory and in relation to the extent to which they recognize how regional, national and local contextual factors might facilitate or constrain the promotion of CSR in SMEs, it becomes clear that in the majority, the tools on offer – with few exceptions – are silent in relation to institutional and contextual factors and the intricacies of the broader national-level institutional environment in relation to how it could potentially support or undermine socially responsible company behavior. Yet as highlighted in the literature review, it is well-known by now that in the context of developing countries, institutional factors are typically not conducive. From the systematic excursion and content analysis above, it has become evident that the majority of the tools on offer do not take into account the possibilities and limitations that are imposed on SMEs by the national socio-economic and socio-cultural contexts in which they operate.

5.2 Silent or sunken CSR practices in SMEs

Our theoretical framework also underlined the importance of recognizing the silent or sunken nature of CSR practices in SMEs in developing countries. We mentioned how the CSR challenges faced by SMEs in developing countries tend to be different from those confronted by larger firms. SMEs tend not to have dedicated CSR departments, internal auditors or engage in CSR reporting. Instead their CSR activities tend to reflect the individual values of the SME owner/entrepreneur and their managers. CSR often takes the form of caring for individual employees and supporting local communities affected by SME operations. However, as highlighted above, the management tools in our sample mostly contain information, criteria and advice that would typically be well-suited in the context of larger firms including strategy development, governance, supply chain sustainability, risk management, stakeholder management and communication guidance, in addition to various aspects of implementation, monitoring, reporting and improvement.

Having made this broad observation based on the content analysis undertaken, we recognize however that this does not mean that international donor agencies across the board do not recognize the particular challenges faced by SMEs in engaging in CSR in developing country contexts. For example, in its explanation of the REAP tool, UNIDO recognizes that many companies “still relate the concept of CSR to large-scale philanthropic investments or donations. While these make a valuable contribution to the well-being of communities and reducing poverty, it is obvious that those activities are far beyond reach for many smaller companies that are frequently faced with financial and human resource constraints. As a consequence small and medium enterprises (SMEs) often take up a rather skeptical position when it comes to CSR” (p. 3).

In practice, however, it would appear that many of the donor-financed management tools aimed at promoting CSR in SMEs in developing countries do not recognize these financial and human resource constraints that traditionally characterize SMEs that operate in the developing world. First, some tools provide guidance on communication strategies. In theory, a communication strategy may help a company in maintaining the goodwill of governments and consumers, or it might help in maintaining/increasing the motivation of its employees. However, in the context of SMEs in developing countries, it may not be always realistic to expect SMEs to be able to make more formalized communication plans that are to be handled by a specialized communications officer, as SME personnel may not have the experience, time or human resources capability to engage in such a task in the same way as larger companies might have through the establishment of an entire communications department.

Second, some of the management tools seek to institutionalize CSR in developing country SMEs through the preparation of a sustainability report, which for SMEs may consume a

significant amount of the limited financial and managerial resources available. While the process of preparing a sustainability report may be effective in raising awareness of CSR issues inside the company, it seems to be recommended in the management tools scrutinized without regard for its need and effectiveness for SMEs in developing the information systems required to produce such reports. Some tools such as the ones from the IDB even propose preparing a sustainability report according to the Global Reporting Guidelines (GRI) (The GRI itself encourages the preparation of these reports for SMEs in developing countries). However, this may be beyond the scope of most SMEs, and this recommendation appears to be given without due attention paid to the costs and benefits of producing such reports.

Finally, some of the management tools advocating the use of CSR in SMEs also encourage a staged implementation strategy for a CSR improvement program based on continuous learning. For instance, UNIDO's REAP proposes a staged implementation plan. Recognizing the limited managerial capabilities of SMEs, REAP uses a network of certified consultants that help in making the analysis relevant for the particular SME being assisted. This might have the advantage of being geared more toward the needs of SMEs. However, it could also be costly for SMEs to make use of such consultants. The assumption seems to be that SMEs in developing countries are all likely to have the analytical ability, time and financial resources to engage in staged implementation strategies.

In general, however, it would appear that activities such as developing a formal communication strategy, the preparation of sustainability reports, CSR improvement plans and the calculation of CSR scores all draw on an implicit assumption embedded within these tools that SMEs ought to engage in explicit CSR. Paraphrasing [Blowfield and Frynas \(2005\)](#), we can say that what is remarkable about these management tools for the promotion of CSR in SMEs analyzed in this article is thus not only what they include. Perhaps even more significant is what they exclude from consideration. At least they tend to be less concerned with documenting, examining or enhancing the more silent or sunken forms of CSR that have otherwise been highlighted as critical in previous studies on CSR in SMEs. Often they do not appear to be concerned with analyzing individual norms and values of SME entrepreneurs or identifying how SMEs are embedded within their local communities, as well as how this enables or constrains the behavior of SMEs in relation to social and environmental issues. And they sometimes do not seek to establish how SME managers/owners might take care of their employees, customers and/or consumers in a myriad of "informal" ways that may not usually be considered part of more formalized strategies. Instead the tools are oriented or tailored to facilitate or assess whether SMEs have institutionalized more explicit forms of CSR.

5.3 Poverty-related concerns

In line with our theoretical framework, we might also have imagined that donor-financed management tools would pay explicit attention to poverty-related concerns, as this is a characteristically distinguishing feature of the regional, national and local socio-economic contexts that face SMEs in developing countries. In fact, given the silent or sunken nature of their CSR engagement, the community-embeddedness of SME managers and their personal moral and religious values so often highlighted in the SME and CSR literature, one might imagine that addressing poverty-related concerns among SME employees and the immediate communities surrounding SMEs would be a key priority concern for developing country SMEs.

Nevertheless, it appears as if none of the donor-financed CSR management tools seeks to enable SMEs to make a direct contribution toward alleviating poverty by increasing the income or consumption opportunities of the SMEs' employees or through the provision of employment opportunities for members of the local communities in which SMEs in developing countries are embedded. This seems to be quite significant in the context of the developing world where the poverty reduction objective is of paramount importance.

Interestingly, the management tools appear to come closest to touching upon the issue of income or consumption-related poverty when they contain guidance on how SMEs ought to relate to their customers or consumers. However, the focus is not on how SMEs can enable poor consumers to access cheaper goods and services as has otherwise been a very popular notion in the management literature inspired by Prahalad's (2005) book *"The Fortune of the Bottom of the Pyramid"*. Instead it is related to issues such as consumer protection and responsible consumption, which have to do with ensuring that consuming products and services do not harm the consumer. Yet, it is important to point out that some of the management tools used for promoting CSR in SMEs have dealt with issues such as truthful advertising, redress mechanisms and rights of consumers, including right to privacy. In other words, some of the tools address issues such as the social and environmental consequences of consuming the products and services (important for alcohol, tobacco, sugar, fats and gambling) and a couple refer to the production of "responsible products" (potential damages from consuming particular types of products).

Some tools also appear more "poverty centered" if we think of poverty as related to the enhancement of capabilities, and the freedom of individuals to choose the kind of life they wish through the combination of different functionings. For example, some tools pay particular attention to human rights issues. In this case, human rights violations may place severe restrictions on individual's abilities to exercise their political rights, thus denying them the possibility of being politically empowered. Finally, in some of the tools, the protection of human rights is not considered a separate issue and is included under social or labor issues, and relates mostly in the context of SMEs to the ILO's conventions on forced and compulsory labor, child labor, discrimination and respect of employment, freedom of association and collective bargaining.

In other words, in the broad framing of poverty as an enhancement of capabilities, it could be argued that some of the SME-related tools address this theme but rather indirectly through stipulations relating to human rights and labor rights issues. None of the tools addresses poverty in the strict sense of the word, or assesses how SMEs can make contributions to expanding income, consumption and employment opportunities in the developing world. Noting the daunting challenge of employment creation and poverty alleviation across the developing world, this seems like a glaring omission, and testifies to the continued orientation of these tools to the context of larger firms in developed countries, with no sufficient tailoring or customization to the specific realities of SMEs in developing countries.

5. Conclusions

In this article, we set out to analyze the management tools that have been developed by international development agencies with the aim of promoting CSR in SMEs in developing countries. In doing so, we made an original contribution to the literature on this topic in two ways. First, we outlined an analytical framework drawing on insights from the literature on institutional theory, critical perspectives on CSR in developing countries and writings on the relationship between CSR and SMEs in the developing world to enable an analysis of the potential and limits of management tools aimed at promoting CSR in developing country SMEs. Here we argued that attention to contextual differences, the concern for poverty reduction and the silent/sunken CSR practices in such tools might be relevant yardsticks to assess their potential relevance and applicability in the developing world.

Second, our empirical analysis of the contents of these tools indicates that the tools encourage the adoption of explicit CSR approaches, similar to those used by large firms in the Western world, while they tend to ignore the silent or sunken CSR approaches that one would usually expect to find in SMEs operating in the developing world. At the same time, they pay little or no attention to advocating the alleviation of income-related poverty as part of SMEs' CSR strategies in the developing world. They might, however, indirectly promote poverty reduction if we think of poverty as relating to the enhancement of capabilities

and/or the reduction of vulnerability of SMEs, workers and communities in the developing world.

In terms of policy implications from our findings, there appears to be a very real risk that the promotion of such CSR tools is likely to be perceived as a top-down, outside-in imposition by SME managers in developing countries who may find that they embody assumptions and practices that have very little or nothing to do with the reality of their everyday operations. Hence, in our view, it might be a better starting point for international development agencies to first map the informal CSR practices of SMEs and then use such a mapping process to enhancing or strengthening existing social responsibility practices which are already present in these firms. Otherwise the use of such tools might result in diluting the potential effect of CSR in the context of SMEs instead of the CSR capacity development efforts for which they are intended.

Finally, we suggest that future research in this area would benefit from a broader examination of the spread, relevance and effectiveness of tools intended to promote CSR in SMEs in developing countries in two ways. First, it would be important to conduct in-depth interviews with aid agency personnel, consultants, SME managers, workers and community members with a view to probing their views of the relevance and effectiveness of these tools. Second, we suggest that similar tools produced by developing country governments, business associations, consultants and other stakeholders with an interest in this area could be mapped and analyzed using the theoretical framework developed in this study. In this way, we would gain a better understanding of how the spread of these tools mediates the processes through which CSR is institutionalized in developing country settings.

Notes

1. In this context, CSR may be understood as the integration of economic, environmental and social concerns into core business practices of SMEs and their voluntary engagement in actions that are likely to benefit stakeholders and society beyond the narrow economic interest of the firm (Lund-Thomsen, 2004).
2. In fact, the relationship between SMEs and CSR remains poorly understood which is sometimes related to the conceptual vagueness of both these terms. In relation to SMEs, a variety of definitions have been proposed which focus on issues such as number of employees working in the enterprise, annual turnover, ownership types and formal versus informal economy status (Jamali *et al.*, 2009). CSR has also been characterized as a contested concept and understood in a variety of ways such as legally complying with the letter of the law, complying with the social and environmental codes of conduct of multinational corporations, engaging in corporate philanthropy and the broader impact that business has on society, among others (EC, 2011; Jenkins, 2004; Khan and Lund-Thomsen, 2011; Prieto-Carron *et al.*, 2006).

References

- Blackman, A. (2006), *Small Firms and the Environment in Developing Countries – Collective Action and Collective Impacts*, RFF Press, Washington, DC.
- Blowfield, M. and Frynas, J.G. (2005), "Editorial: setting new agendas - critical perspectives on corporate social responsibility in the developing world", *International Affairs*, Vol. 81 No. 3, pp. 489-513.
- Brammer, S., Jackson, G. and Matten, D. (2012), "Corporate social responsibility and institutional theory: new perspectives on private governance", *Socio-Economic Review*, Vol. 10 No. 1, pp. 3-28.
- Campbell, J. (2007), "Why would corporations behave in socially responsible ways: an institutional theory of corporate social responsibility", *Academy of Management Review*, Vol. 32 No. 3, pp. 946-967.
- Chambers, R. (1983), *Rural Development: Putting the Last First*, Longman, Harlow.
- Chambers, R. (1989), "Vulnerability: how the poor cope", *IDS Bulletin*, Vol. 20 No. 2, pp. 1-7.
- DiMaggio, P. and Powell, W. (1983), "The iron cage revisited: institutional isomorphism and collective rationality in organizational fields", *American Sociological Review*, Vol. 48 No. 2, pp. 147-160.

- European Commission (2011), "A renewed EU strategy 2011-14 for corporate social responsibility", Brussels, available at: http://ec.europa.eu/enterprise/policies/sustainable-business/files/csr/new-csr/act_en.pdf (accessed 28 December 2012).
- Fig, D. (2005), "Manufacturing amnesia – corporate social responsibility in South Africa", *International Affairs*, Vol. 81 No. 3, pp. 599-617.
- Fox, T. (2005), *Small and Medium-sized Enterprises (SMEs) and Corporate Social Responsibility – A Discussion Paper*, International Institute for Environment and Development, London.
- Frynas, J.G. (2005), "The false development promise of corporate social responsibility – evidence from multinational oil companies", *International Affairs*, Vol. 81 No. 3, pp. 581-598.
- Frynas, J.G. (2008), "Corporate social responsibility and international development: critical assessment", *Corporate Governance: An International Review*, Vol. 16 No. 4, pp. 274-281.
- Gond, J.P., Kang, N. and Moon, J. (2011), "The government of self-regulation: on the comparative dynamics of corporate social responsibility", *Economy and Society*, Vol. 40 No. 4, pp. 640-671.
- Hesselberg, J. and Knutsen, H.M. (2002), "Leather tanning, environmental regulations, competitiveness and locational shifts", in Jenkins, R., Barton, J., Bartzokas, A., Hesselberg, J. and Knutsen, H.M. (Eds), *Environmental Regulation in the New Global Economy*, Edward Elgar, Cheltenham.
- Jamali, D. and Neville, B. (2011), "Convergence vs divergence in CSR in developing countries: an embedded multi-layered institutional lens", *Journal of Business Ethics*, Vol. 102 No. 4, pp. 599-621.
- Jamali, D., Zanhour, M. and Keshishian, T. (2009), "Peculiar strengths and relational attributes of SMEs in the context of CSR", *Journal of Business Ethics*, Vol. 87 No. 3, pp. 355-367.
- Jenkins, H. (2004), "A critique of conventional CSR theory: an SME perspective", *Journal of General Management*, Vol. 29 No. 4, pp. 37-57.
- Jeppesen, S., Kothuis, B. and Tran, A.N. (2012), *Corporate Social Responsibility and Competitiveness for SMEs in Developing Countries: South Africa and Vietnam*, Focales 16, Agence Francaise de Development, Paris.
- Kang, N. and Moon, J. (2012), "Institutional complementarity between corporate governance & corporate social responsibility: a comparative institutional analysis of three capitalisms", *Socio-Economic Review*, Vol. 10 No. 1, pp. 85-108.
- Kennedy, L. (2006), "Improving environmental performance of small firms through joint action: Indian tannery clusters", in Blackman, A. (Ed), *Small Firms and the Environment in Developing Countries – Collective Action and Collective Impacts*, RFF Press, Washington, DC, pp. 112-128.
- Khan, F.R. and Lund-Thomsen, P. (2011), "CSR as imperialism: towards a phenomenological approach to CSR in the developing world", *Journal of Change Management*, Vol. 11 No. 1, pp. 73-90.
- Luetkenhorst, W. (2004), "Corporate social responsibility and the development agenda", *Intereconomics*, Vol. 39 No. 3, pp. 157-166.
- Luken, R. and Stares, R. (2005), "Small business responsibility in developing countries: a threat or an opportunity?", *Business Strategy and the Environment*, Vol. 14 No. 1, pp. 38-53.
- Lund-Thomsen, P. (2004), "Towards a critical framework on corporate social and environmental responsibility – the case of Pakistan", *Development*, Vol. 47 No. 3, pp. 106-113.
- Lund-Thomsen, P. (2005), "Corporate accountability in South Africa, the role of community mobilizing in environmental governance", *International Affairs*, Vol. 81 No. 3, pp. 619-633.
- Mandl, I. (2007), *CSR and Competitiveness – European SMEs' Good Practice*, Austrian Institute for SME Research, Vienna.
- Matten, D. and Moon, J. (2008), "Implicit and explicit CSR: a conceptual framework for a comparative understanding of corporate social responsibility", *The Academy of Management Review*, Vol. 33 No. 2, pp. 404-424.
- Meyer, J.W. and Rowan, B. (1977), "Institutionalized organizations", *American Journal of Sociology*, Vol. 83 No. 2, pp. 340-363.
- Morsing, M. and Perrini, F. (2009), "CSR in SMEs: do SMEs matter for the CSR agenda?", *Business Ethics: A European Review*, Vol. 18 No. 1, pp. 1-6.
- Murillo, D. and Lozano, J. (2006), "SMEs and CSR: an approach to CSR in their own words", *Journal of Business Ethics*, Vol. 67 No. 3, pp. 227-240.

- Nadvi, K. and Barrientos, S. (2004), "Industrial clusters and poverty alleviation: mapping links and developing a methodology for poverty and social impact assessment of cluster development initiatives", Working Paper, United Nations Industrial Development Organization, Vienna.
- Narayan, D., Patel, R., Schlaff, K., Rademacher, A. and Koch-Schulte, S. (2000), *Voices of the Poor – Can Anyone Hear Us?*, Published for the World Bank, Oxford University Press, New York, NY.
- Newell, P. (2005), "Citizenship, accountability, and community: the limits of the CSR agenda", *International Affairs*, Vol. 81 No. 3, pp. 541-557.
- Newell, P. and Frynas, J.G. (2007), "Beyond CSR? Business, poverty, and social justice: an introduction", *Third World Quarterly*, Vol. 28 No. 4, pp. 669-681.
- North, D. (1990), *Institutions, Institutional Change and Economic Performance*, Cambridge University Press, Cambridge.
- Perrini, F., Pogutz, S. and Tencati, A. (2006), "Corporate social responsibility in Italy: state of the art", *Journal of Business Strategies*, Vol. 23 No. 1, pp. 65-91.
- Prahalad, C.K. (2005), *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, Prentice-Hall, NJ.
- Prieto-Carron, M., Lund-Thomsen, P., Chan, A., Muro, A. and Bhushan, C. (2006), "Critical perspectives on CSR and development: what we know, what we don't and what we need to know", *International Affairs*, Vol. 82 No. 5, pp. 977-987.
- Raynard, P. and Forstater, M. (2002), "Corporate social responsibility: implications for small and medium enterprises in developing countries", UNIDO, Geneva, available at: www.unido.org/fileadmin/import/29959_CSR.pdf (accessed 27 September 2012).
- Sachdeva, A. and Panfil, O. (2008), *CSR Perceptions and Activities of Small and Medium Enterprises (SMEs) in Seven Geographical Clusters – Survey Report*, UNIDO, Vienna.
- Sen, A. (1999), *Development as Freedom*, Oxford University Press, Oxford.
- Spence, L. and Lozano, J.F. (2000), "Communicating about ethics with small firms: experiences from the UK and Spain", *Journal of Business Ethics*, Vol. 27 Nos 1/2, pp. 43-53.
- Tewari, M. and Pillai, P. (2005), "Global standards and the dynamics of compliance in the Indian leather industry", *Oxford Development Studies*, Vol. 33 No. 2, pp. 245-267.
- Vives, A. (2006), "Social and environmental responsibility in small and medium enterprises in Latin America", *Journal of Corporate Citizenship*, Vol. 21, pp. 39-50.
- Vives, A. (2011), "Guidance on corporate social responsibility and SMEs: can/should they do anything?", paper presented at the Workshop SMEs, CSR, and Competitiveness in Developing Countries, Copenhagen Business School, Copenhagen, 12-13 December.

Appendix

AUSAID, Austrian Development Agency, Development Cooperation (DGDC)/Belgian Technical Cooperation, Canadian International Development Agency (CIDA), Danish International Development Agency (DANIDA), European Union, Ministry of Foreign Affairs (Finland), Agence Francaise de Developpement (Afd), BMZ/GTZ (Germany), Ministry of Foreign Affairs (Greece), Irish Aid (Ireland), the Ministry of Foreign Affairs (Italy), Ministry of Foreign Affairs (MOFA), Japan International Corporation Agency (JICA), Japan Bank for International Development Cooperation, Ministry of Foreign Affairs/Lux-Development, Luxembourg, Ministry of Foreign Affairs, Netherlands, NZaid (New Zealand), Ministry of Foreign Affairs/Norad, Ministry of Foreign Affairs/IPAD, Agencia Espanola de Cooperacion Internacional para el Desarrollo, AECID (Spain), SIDA (Sweden), the Swiss Agency for Development and Cooperation (SDC) (Switzerland), Department for International Development (DFID), UK, the United States Agency for International Development (USAID)/Millennium Challenge Corporation (USA). FAO, International Bank for Reconstruction and Development (IBRD) International Development Association/International Finance Corporation/Multilateral Investment Guarantee (MIGA), International Fund for Agricultural Development, International Labor Organization, International Trade Center, United Nations Capital Development Fund, United Nations Children Fund, United Nations Conference on Trade and Development, United Nations Environment Programme, United Nations High Commissioner for Human Rights, United Nations Industrial Development Organization, United Nations Global Compact, Inter-American Development Bank, African Development Bank.

About the authors

Peter Lund-Thomsen is Associate Professor of Corporate Social Responsibility in Developing Countries at the Copenhagen Business School. His research interests include global value chains, industrial clusters and CSR in SMEs in the developing world. Peter Lund-Thomsen is the corresponding author and can be contacted at: plt.ikl@cbs.dk

Dima Jamali is Professor of Management (with a focus on CSR in Developing Countries) at the Olayan School of Business, American University of Beirut. Her research interests revolve around fleshing out the peculiar dynamics and manifestations of CSR in the developing world.

Antonio Vives is Consulting Professor at Stanford University and Principal Associate at CUMPETERE. His research interests include corporate social responsibility and socially responsible investment in developing countries.

To purchase reprints of this article please e-mail: reprints@emeraldinsight.com
Or visit our web site for further details: www.emeraldinsight.com/reprints