Chapter 7

Exploring the Links Between CSR, Good Governance, and Corporate Reputation:
A Proposal of Indicators in SMEs

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ABSTRACT

The chapter looks to contribute in a theoretical way to the measurement of the concepts of CSR (corporate social responsibility), good governance, and reputation in SMEs, since they are concepts of great importance in business management and are related. Social responsibility actions through the exercise of good governance means that SMEs can obtain a solid reputation. The purpose of the chapter is to develop how companies that incorporate social responsibility into their business model achieve a better image in the eyes of their stakeholders. Codes of ethics play an important role as an instrument of good governance. As a result, the chapter proposes measurement indicators to be used in future empirical research to verify the effects of causality. They can be a valuable tool for knowledge management as a source of innovation for SMEs.

INTRODUCTION

Corporate Social Responsibility (CSR) and good governance have been increasingly considered by academics and practitioners in recent decades (Carroll and Buchholtz, 2006; Schwartz and Carroll, 2008). Traditionally, academic management research has focused on analyzing corporate social responsibility and business ethics in large companies. However, in small and medium-sized enterprises (SMEs) it has received little attention in academic literature (Gallo, 2004; Murillo and Lozano 2006; Spence 1999).

In the European Union, SMEs account for 99% of all corporations, they are responsible for creating two thirds of all jobs in the private sector as well as over half the total added value produced by companies (Fact Sheets on the European Union, 2018), there by generating economic value, since they are both clients and suppliers for major companies.

Despite their importance, SMEs have received little attention in the literature, and only in recent years have they come to be the focus of inquiry, as a result of greater academic interest (Fuller & Tian, 2006; Melé et al. 2006; Tilley, 2000; Graafland, Van de Ven, Stoffele, 2003; Jenkins, 2006; Lepoutre & Heene, 2006; Vives, 2006; Besser & Miller, 2001; Sarbutts, 2003; Perrini, 2006; Raynard & Forstater, 2002; Vázquez-Carrasco & López-Pérez, 2013), with many works seeking to center their efforts on pinpointing how SMEs differ from large as well as multinational firms (Murillo & Lozano, 2006; Jamali, Zanhour, & Keshishian, 2009; Russo & Tencati, 2009; Lamberti & Noci, 2012; Jenkins, 2006). Authors such as Spence (2007) advocate carrying out specific research in the field and adopting a personalised perspective to explore the sustainability of SMEs. For its part, the European Commission has also highlighted the importance of adopting a different approach for SMEs that used for large firms (CEC, 2002, 2005, 2006).

The aim of this chapter is to analyse the importance of good governance in SMEs in order to be socially responsible and to improve their image and business reputation.

Our approach is focused on linking social responsibility actions by exercising good governance, which means obtaining a solid reputation. In this sense, when companies incorporate social responsibility in their business model, they achieve a better image for their stakeholders. In SMEs, workers and customers stand out as the main stakeholders.

Following the literature analysed, a set of indicators are finally proposed to measure the three variables that are explained throughout the chapter.

METHODOLOGY

The present study uses as methodology the review of the literature related to CSR, good governance, codes ethics and reputation, from the last decades and specifically related to SMEs, which needs further study due to the scarcity of specific research and its importance.

The bibliometric study by Bikefe et al. (2020) shows that most CSR publications have focused on identifying the various ways in which SMEs are implementing CSR. Furthermore, most adopted the survey as the dominant research method. These authors propose that future studies should combine a variety of methods to gain a better understanding of CSR issues.

The proposed indicators should be measured using an owner-manager assessment questionnaire with questions with dichotomous answers or Likert scales. As an additional source, sustainability reports that are increasingly used and codes of conduct can be consulted.

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