Chapter 16

Corporate Social Responsibility in SMEs: The Role of Non-Audit Services

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ABSTRACT

Given the increasing importance of the role played by small and medium-sized enterprises (SMEs) within the developing economy, this paper intends to provide further insight into corporate social responsibility (CSR) practices among SMEs. Within this context, the purpose is to propose the role of non-audit services (NAS), which contribute to the possible explanation of the SME adoption of CSR practices. A conceptual approach is taken whereby this paper is based on an extensive literature review of CSR and NAS practices in the SME context. Then, based on the knowledge-based view (KBV), this paper set to explain and highlight the role of NAS play to enhance CSR practices among SMEs. This paper provides a theoretical discussion on the importance of CSR in ensuring the survival of the SMEs. Although the proposition of NAS is relatively new, it provides an interesting and remarkable avenue for further research especially in the developing country. Overall, this paper draws attention to the importance of NAS in enhancing the survival and performance of the SMEs.

INTRODUCTION

With the growing popularity and importance of corporate social responsibility (CSR), research on CSR has grown exponentially (Carroll, 1999; Crowther & Aras, 2008; Carroll & Shabana, 2010), despite no universal definition of CSR (Dahlsrud, 2008). The notion of CSR has a long and diverse history, it proliferated and the most popular definition stated that organisations in favour of CSR typically strive to be a good corporate citizen, making profits, obey the law, and to be ethical (Carroll, 1991). Economic, ethical, legal and philanthropic, has been identified as the four important responsibilities of CSR (Carroll, 1991). DOI: 10.4018/978-1-5225-2165-5.ch016
As far as CSR is concerned, most of the studies were conducted on larger listed companies, instead of the small and medium-sized enterprises (SMEs) (Jenkins, 2006; Spence, 2007; Liu & Fong, 2010; Baden, Harwood, & Woodward, 2011; Vázquez-Carrasco & López-Pérez, 2012). Since there has been a lack of CSR research in the context of SMEs (Carney, Van Essen, Gedajlovic, & Heugens, 2010), this paper attempts to fill the missing gap.

Essentially, this paper focuses on CSR practices among the SMEs. Nowadays, SMEs topic has gained increasing attention among researchers and practitioners as its contribution is huge to the nation. Significantly, SMEs account for around 90% of the incorporated companies worldwide (Hsu & Cheng, 2011), generating almost 65% of employment globally (Jamali, Zanhour, & Keshishian, 2009). Moreover, SMEs contribute to the society, economy and has a significant impact on the development of the country (Ciliberti, Pontrandolfo, & Scozzi, 2008; Perrini & Minoja, 2008). According to Parker, Redmond and Simpson (2009), SMEs also play a vital role in preserving the environment as they are responsible for around 60% of all carbon dioxide emissions and 70% of all pollution. Simply put, the CSR practices among SMEs will be able to enhance the worldwide sustainable development (Morsing & Perrini, 2009). Hence, this paper intends to provide further insight into the CSR practices among SMEs, whereby the role of non-audit services (NAS) has been proposed, which contribute to the possible explanation of the SME adoption of CSR practices.

BACKGROUND

SMEs are believed to be of significantly different from the larger business organisations. The characteristic or cultural aspect of the SMEs are not the same as the large companies (Lepoutre & Heene, 2006). Apart from that, the findings from larger companies do not really reflect the SMEs’ environment (Jenkins, 2004; Spence, 2007). For instance, SMEs are usually having fewer resources, governs through informal organisational structures, emphasis on survival (Parker, et al., 2009) and less likely to engaged in CSR activities (Spence, 2007), as compared to larger companies.

However, it is perceived that SMEs are in a better position and comparatively well equipped to design appropriate CSR strategies to address the needs of the local communities as they operate “on the ground”, they are more aware of the local environmental risks and emerging social issues than their larger counterparts (Sweeney, 2007). Generally, SMEs have a greater understanding of the local cultural and political contexts, more partnering and links to local civil society and greater commitment to operating in a specific area (Baden, et al., 2011). Nowadays, CSR has been assumed to encompass philanthropic activities such as donation for individual or sponsorship for events. CSR has emerged into a border perspective, which include ethics and compliance, stakeholders’ elements (such as employees, environment, community, customer, shareholder, and supplier) and so on (Carroll, 1999; Crowther & Aras, 2008; Carroll & Shabana, 2010). This highlights the importance and timeliness of CSR practices research among SMEs to be undertaken.

The business case for CSR has been widely discussed (Carroll, 1999; Carroll & Shabana, 2010). Some studies revealed that SMEs are actually practicing CSR without knowing that those are CSR related activities. This is normally refers to as “sunken CSR” or “silent CSR” (Jenkins, 2004; Perrini, 2006; Jamali & Tarazi, 2012; Moyeen & Courvisanos, 2012). This was proven by a study conducted by Jamali et al. (2009) on six SMEs through in-depth interviews, as the authors concluded that the benefits sought and derived from CSR activities by SMEs are clear conscience, having greater personal satisfaction and
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