


Chapter 2

Exploring the Corporate Social Responsibility of Small and Medium Enterprises in the Hospitality Sector

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ABSTRACT

The chapter explores corporate social responsibility (CSR) engagement in small and medium-sized enterprises (SMEs) in the hospitality sector, namely primary drivers, barriers, benefits, and challenges. The study emphasizes that CSR is increasingly integrated into strategic frameworks, driven by stakeholder expectations, environmental concerns, and managerial commitment. Key motivators include alignment with the sustainable development goals (SDGs), customer expectations for ethical and sustainable practices, as well as internal values of owners, managers and employees. Limited access to financial and human resources, insufficient awareness of CSR tools and standards, and balancing short-term operational priorities with long-term sustainability goals challenge CSR engagement. Nevertheless, CSR adoption

DOI: 10.4018/979-8-3373-3805-7.ch002

enhances competitiveness, service quality, employee well-being, and stakeholder trust. A case study of a Portuguese luxury resort illustrates how CSR practices are integrated and generate tangible benefits.

1. INTRODUCTION

CSR initiatives of SMEs are recently being object of growing interest among academics, public entities, and the media (e.g., Nicoara et al., 2025). SMEs not only constitute a fundamental pillar of many economies, especially in developing countries (United Nations, 2025; World Bank, 2025), but they are also progressively recognized as vital “for delivering sustainable and inclusive economic growth” (OCDE, 2019, p. 3). This recognition has led to a significant redirection of scholarly attention within CSR research, from large global companies to SMEs (Ortiz-Avram et al., 2018).

CSR can, therefore, be defined as an organization’s obligation to contribute positively to society and the environment, surpassing the narrow objective of profit maximization. CSR is implemented through exemplar labor, production and environmental practices, as well as the establishment and maintenance of constructive and mutually beneficial relationships with surrounding communities (Sharma & Gupta, 2019). In this view, for an enterprise to be sustainable, it must maintain financial stability, pursue a neutral environmental impact, and conduct its activities in alignment with prevailing conventions and expectations of society.

The business context for SMEs is different from that of large global companies. SMEs typically exhibit a highly personal mode of operation, characterized by frequent direct engagement between owners and customers, with the owners’ values, policies, and routine practices closely intertwined with, and often indistinguishable from, those of the enterprise (Fuller & Tian, 2006).

Promoting the adoption of CSR among SMEs requires approaches that consider the specific needs and capacities of these companies and do not negatively affect their economic viability. It is therefore crucial to analyze the factors that enable or hinder effective CSR integration within SMEs (Nicoara et al., 2025). When SMEs embed CSR within their core strategic frameworks, they can align social and business goals, which not only enhances their reputation and customer loyalty but also drives innovation and learning processes, differentiating them from competitors (Khatter, 2025). Effective CSR practices can lead to innovative outcomes, as they force SMEs to rethink their processes, products, and services in light of social and environmental factors (e.g., Park et al., 2017).

CSR practices and strategic orientation are relevant for SMEs in general, and hospitality SMEs in particular. CSR has, in fact, emerged as a vital concept within strategic and operational practices in this industry (Martínez & Rodríguez del Bosque,

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