

BAKO TAMAS**MAPPING THE SOCIAL INNOVATION ACTIVITIES OF SMES AND IDENTIFYING HINDERING AND SUPPORTING FACTORS FOR INTENSIFYING THESE ACTIVITIES**

Attempts to define and conceptualize social innovation have been presented in various studies, leading to academic disagreement regarding the scope of the concept. From the European Union's policy perspective, the concepts of social entrepreneurship and social innovation are significant because they respond to the cohesion needs of a given society, serving as objectives for both public policy and civil society initiatives. Corporate social responsibility (CSR) has been defined differently by various researchers. While CSR is a corporate concept, corporations are led by individuals, and CSR is primarily reflected in their decisions, perspectives, and behaviors. In a previous study, my colleague and I examined issues related to corporate social responsibility through a one-time survey conducted with 43 companies based in or having a branch in Hungary.

Keywords: social innovation, social entrepreneurship, corporate social responsibility, leadership

БАКО ТОМАС**КАРТОГРАФУВАННЯ СОЦІАЛЬНО-ІННОВАЦІЙНОЇ ДІЯЛЬНОСТІ МСП ТА ВИЯВЛЕННЯ СТРИМУЮЧИХ І ДОПОМІЖНИХ ФАКТОРІВ ДЛЯ АКТИВІЗАЦІЇ ЦЬОЇ ДІЯЛЬНОСТІ**

Спроби визначення та концептуалізації соціальних інновацій були представлені в різних дослідженнях, що призвело до академічних розбіжностей щодо обсягу цього поняття. З точки зору політики Європейського Союзу, концепції соціального підприємництва та соціальних інновацій є важливими, оскільки вони відповідають потребам згуртованості даного суспільства, служучи цілями як для державної політики, так і для ініціатив громадянського суспільства. Корпоративна соціальна відповідальність (КСВ) різними дослідниками визначається по-різному. У той час як КСВ є корпоративною концепцією, корпорації очолюють приватні особи, і КСВ в першу чергу відображається в їхніх рішеннях, поглядах і поведінці. У попередньому дослідженні ми з колегою розглянули питання, пов'язані з корпоративною соціальною відповідальністю, за допомогою одноразового опитування, проведеного серед 43 компаній, що базуються в Угорщині або мають філію.

Ключові слова: соціальні інновації, соціальне підприємництво, корпоративна соціальна відповідальність, лідерство

Introduction. The empirical research on social innovation and social entrepreneurship is still in its early stages, with case studies playing a dominant role among the applied research methods (Alvord, 2004; Evers, Ewert, & Brandsen, 2014).

This can be explained by the lack of consensus among authors regarding the definitions and scope of these concepts, as well as challenges in measuring the performance of social organizations, as also emphasized in literature reviews on the topic (Dart, Clow, & Armstrong, 2010; Short, Moss, & Lumpkin, 2009).

For instance, the concept of social innovation has been used in an extensive sense, along with the concept of social entrepreneurship (Moulaert, MacCallum, Mehmood, & Hamdouch, 2013), as well as other related terms such as social value creation, social impact measurement, social added value, and social responsibility (Defourny & Nyssens, 2010).

Studies aimed at conceptualizing social entrepreneurship and social innovation generally focus on one of the following areas: the characteristics of individual social entrepreneurs, the sectors in which they operate, the processes and resources they utilize, as well as their missions and achievements (Dacin, Dacin, & Matear, 2010). Dees (2001), for example, in the course of exploring phenomena, defines social entrepreneurship with an emphasis on the individual.

Some scholars define social entrepreneurship as a process that emerges when governmental or nonprofit organizations adopt business principles in their operations (Dacin et al., 2010). The Global Entrepreneurship Monitor study (Terjesen, Lepoutre, Justo, & Bosma, 2012) proposed a classification of four types of social enterprises (nonprofit, for-profit, and two hybrid forms with varying degrees of social and commercial objectives), based on

their focus on social and environmental goals, diverse revenue generation strategies, and the presence of innovation within these organizations. Evers and Laville (2004) also addressed the hybrid nature of social enterprises, influenced by their multi-faceted goals and mixed resource structures (market, state, and civil society). Despite the growing importance of this concept, it remains unclear to what extent social enterprises differ from non-social enterprises in terms of their characteristics and business performance.

Finally, the number of empirical studies on social innovation and social entrepreneurial activities using larger datasets remains limited.

Purpose of the Article. The purpose of this article is to explore and document the social innovation activities undertaken by Small and Medium Enterprises (SMEs). It aims to provide a comprehensive understanding of how SMEs contribute to addressing societal challenges through innovative approaches while identifying the factors that either hinder or support these efforts. This article contributes to bridging the gap between SMEs' potential and actual engagement in social innovation. By shedding light on best practices, challenges, and opportunities, it serves as a resource for fostering a supportive environment where SMEs can intensify their contributions to societal well-being.

Literature review. Attempts to define and conceptualize social innovation have been presented in various studies, leading to academic disagreement regarding the scope of the concept. This study relies on the definition of social innovation provided by the European Commission, as outlined by Caulier-Grice, Davies, Patrick, and Norman (2012), which defines social innovation as follows:

New ideas—products, services, and models—that

simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations (examples include social services and/or goods and services provided to vulnerable individuals, ensuring access to employment for disadvantaged groups, and environmentally friendly practices).

From the European Union's policy perspective, the concepts of social entrepreneurship and social innovation are significant because they respond to the cohesion needs of a given society, serving as objectives for both public policy and civil society initiatives. Policymakers can support social innovation in various ways, from introducing funding opportunities to adopting specific measures and tools. Unfortunately, macro-level data systems are not designed to review and support such activities, as they tend to focus on traditional forms and sectors of innovation (EU Directorate-General for Enterprise and Industry, 2012). This highlights the need for further efforts in this area.

For instance, Thornhill (2006) demonstrated a positive correlation between product innovation and performance (measured by revenue growth) in a sample of Canadian manufacturing firms. Similarly, Bowen et al. (2010) found that different types of innovation were positively correlated with accounting performance indicators and the market performance index. Jiménez-Jiménez and Sanz-Valle (2011) showed that innovation (observed as product, process, and administrative innovation) influenced companies' performance, measured using four model indicators: the human relations model, internal process model, open system model, and rational goal model. Salvadó, de Castro, López, and Verde (2012) identified a relationship between environmental innovation as a form of social innovation, and corporate performance.

Previous studies addressing the social aspects of corporate goals often measured corporate social responsibility (CSR) and its relationship with profitability indicators. The literature identifies CSR as a driver of corporate social innovation (Defourny & Nyssens, 2010). Waddock and Graves (1997) found a positive correlation between CSR and financial performance. In most cases we can observe that a connection exists between CSR and organizational performance, including both financial and non-financial measures.

McGuire, Sundgren, and Schneeweis (1988) explained the impact of CSR on performance through its correlation with financial risk, demonstrating that companies with social responsibility practices score higher on financial performance indicators such as ROA and stock returns. These researchers also examined whether socially responsible behavior is a result of prior superior financial standing (McGuire et al., 1988) or if there is a relationship between CSR and good management practices (McWilliams & Siegel, 2000). Consistent with this argument, Hull and Rothenberg (2008) evaluated the relationship between collaboration, industry differentiation, CSR, innovation, and financial performance (ROA), demonstrating that CSR positively impacts financial performance.

All these concepts are related, and the relationships between different innovation concepts and corporate business and financial performance have been the focus of

numerous studies due to their significant practical implications, both at the organizational and policy levels.

Methodology. The article uses key theories to understand and analyze SME social innovation. Stakeholder theory: explores the role of stakeholders in shaping SME social innovation activities. Diffusion of innovation theory: explains how innovations spread within and beyond SME ecosystems. Resource-based view (RBV): explores how SMEs use internal resources and opportunities for social innovation. Methodological frameworks include a mixed-methods approach: combines qualitative and quantitative methods for a comprehensive understanding. This dual framework provides a robust basis for mapping activities and identifying influencing factors.

Presentation of the main research material. Corporate social responsibility (CSR) has been defined differently by various researchers. For instance, Dahlsrud conducted a factor analysis of 37 different definitions in 2006, examining them across five dimensions: environmental, social, economic, stakeholder, and voluntariness (Dahlsrud, 2006). David Vogel describes CSR as "a set of practices and policies that go beyond legal requirements to improve working conditions and benefit society" (Vogel, 2006, p. 2).

According to the *Oxford Handbook* (Crane et al., 2008), related concepts such as Corporate Citizenship, Corporate Responsibility, or Sustainable Business are, basically, alternative terms. Analysts of the topic agree on one point: CSR lacks a universally accepted definition. Socially responsible corporate behavior is interpreted as a learning process (Angyal, 2009) that organizations adopt gradually through multi-stage development within the framework of organizational learning. Ideally, CSR is a continuous collective learning process (Zwetsloot, 2003).

While CSR is a corporate concept, corporations are led by individuals, and CSR is primarily reflected in their decisions, perspectives, and behaviors. Since a corporation, as a legal entity, does not possess a conscience akin to natural persons, addressing societal harms caused by the corporation falls on its leaders. CSR thus becomes a strategic matter under the purview of top management (Goodpaster & Matthews, 1982). This holds true even though many leaders may, in specific cases, attempt to shield themselves from responsibility by exploiting the protections afforded by corporate legal personality.

In a previous study, my colleague and I examined issues related to corporate social responsibility (CSR) through a one-time survey conducted with 43 companies based in or having a branch in Hungary. The questionnaire included 33 questions, focusing on the company's and respondent's details, the role of CSR in the company's operations, and issues concerning responsibility.

Of the surveyed companies, 55.3% were sole proprietorships or small enterprises, aligning with Hungary's business demographics, where such entities dominate. Additionally, 18.4% were domestic subsidiaries or divisions of international multinational corporations, 15.8% were medium-sized enterprises, 7.9% were large corporations, and one was a Hungarian multinational company (Figure 1).

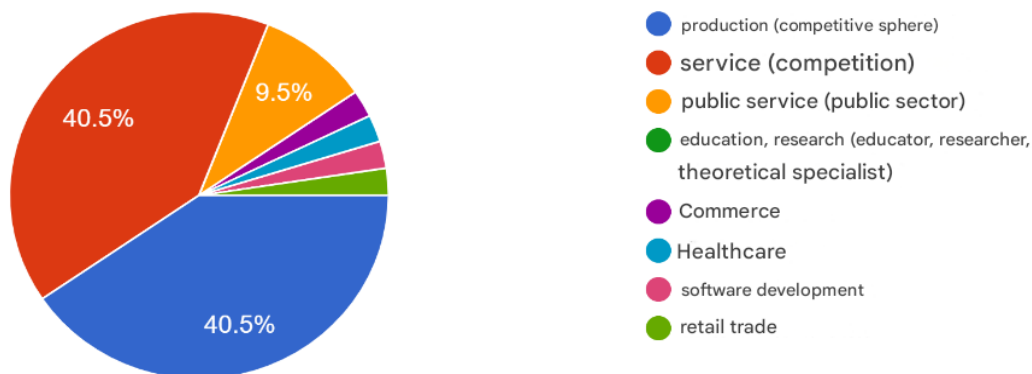


Figure 1 - "What is the main activity of your company?"

Source: Based on a questionnaire, edited by the author

In response to the question, "Have you heard of corporate social responsibility?" 78.6% of the 42 respondents answered "yes," representing a significant

majority. However, only 64.3% indicated that their company actively engages in CSR-related activities (Figure 2).

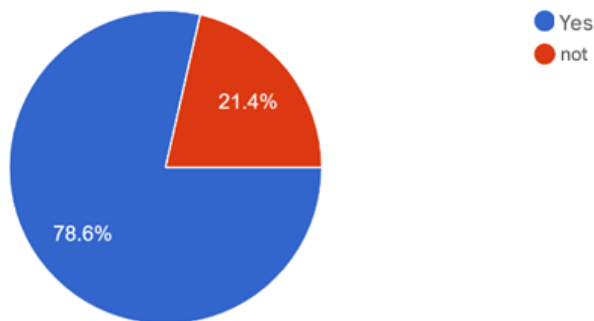


Figure 2 - "Have you ever heard of corporate social responsibility (CSR for short)?"

Source: Based on a questionnaire, edited by the author

Only 9.5% of the companies participating in the survey have a CSR policy or strategy, while 78.6% do not prepare such documents. Interestingly, 11.9% were unable to answer the question, which could be due to two

reasons: either an unqualified person filled out the questionnaire, or they are unaware because the company definitely does not have CSR regulations in place (Figure 3).

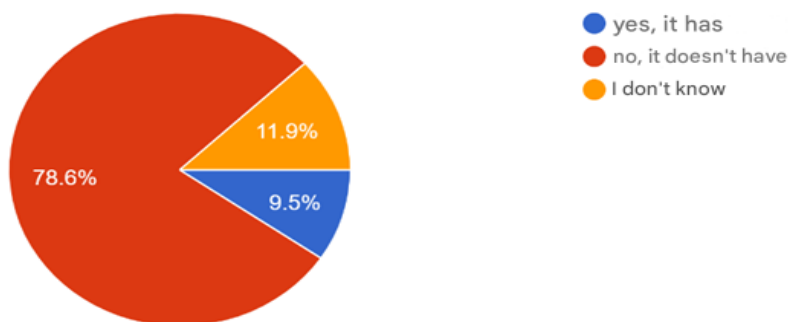


Figure 3 - "Does your company/organization have a CSR policy or strategy?"

Source: Based on a questionnaire, edited by the author

The responses to the question of whether the company prepares a CSR or GRI report (non-financial report, such as a sustainability report) show similar proportions. The participants answered "yes" slightly more often (16.7%), while 71.4% answered "no," and, similar to the previous

question, 11.9% indicated that they had no information on this topic.

The companies indicated the following CSR activities as those they are most involved in: corporate charity (58.5%), environmentally conscious operations (53.7%), sponsorship (41.5%), followed by environmental

protection (26.8%), community volunteer activities (22.0%), and quality management activities, applying standards (17.1%). About 10% of the companies reported that they do not engage in any CSR activities.

Of the companies that engage in CSR actions, 46.3% do so informally, taking advantage of opportunities as they arise (i.e., ad hoc), 36.6% respond to the demands of external stakeholders, 26.8% select responsibility areas based on employee suggestions, while only 14.6% integrate these activities into a strategy, managing them intentionally.

In acknowledging responsibility for society and the environment, the strategic goals of the responding companies are as follows: the largest proportion aims to act as an ethical company (56.1%), followed closely by contributing to sustainable development (39%), taking responsibility for the company's activities (36.6%), aligning with the company's core values (34.1%), and maintaining the company's good reputation (34.1%).

72.5% of respondents believe that the willingness to take on social responsibility is not considered when

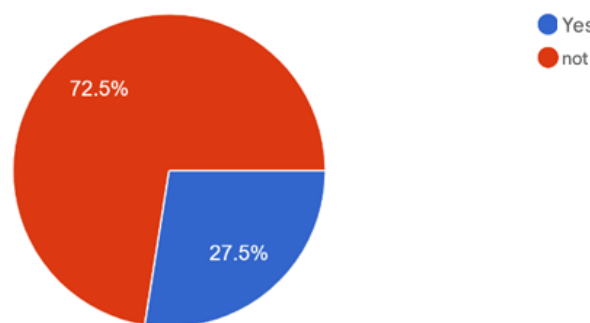


Figure 4 - "Is the willingness to assume social responsibility taken into account when selecting managers?"

Source: *Based on a questionnaire, edited by the author*

52.6% of the respondents rated the leadership style in their company as democratic, 31.6% as autocratic, and only 3 respondents described it as dictatorial.

Regarding decision-making, the pattern concerning activities related to social responsibility shows that in 23 cases (56.1%), one person makes the decisions, in 15 cases (36.6%) a group, and in 3 cases (7.3%) the whole company. In an ideal situation (though there were only 39 respondents here), 19 respondents (48.7%) believed a group should make such decisions, 13 respondents (33.3%) thought one person should decide, and 7 (17.9%) believed the whole company should decide. In an ideal situation (40 respondents here), the majority, 24 respondents (60%), thought that a group consisting of leaders should make CSR-related decisions, while 15 respondents (37.5%) believed that the person vested with the responsibility should make the decision, with one respondent unable to choose, as they work for a public organization.

The results indicate that while a significant portion of the companies involved in the research (43) have heard of corporate social responsibility (CSR) and engage in such activities, they do not consider it particularly important. Only a small fraction have a CSR policy, and even fewer prepare regular reports on it. The most common CSR activities within companies include corporate charity,

selecting leaders. This suggests that in Hungary, this aspect is not as important as, for example, in Canada, where Strandberg Consulting, a Canadian consulting company, lists 6 reasons in the company's brochure for why it is important to include social responsibility in the criteria for selecting leaders. These reasons are: the need for effective CSR implementation and execution; managing brand name and reputation; making the company attractive to employees, retaining and engaging them; changing expectations and requirements regarding CSR; the CEO as the public face of the company; and making better decisions. According to Strandberg, leaders who exhibit traits such as value-centeredness, outward orientation, being a good CSR strategist and change manager, able to cooperate with stakeholders, supporting and encouraging CSR, and the ability to train responsible leaders (Figure 4).

environmentally conscious operations, and sponsorship. Most companies view CSR-related activities as something that "is nice to have, but not very important."

In selecting leaders, the overwhelming majority of companies do not take into account the willingness to assume social responsibility, and the majority believe that one person is responsible for such decisions. However, ideally, the entire company should take responsibility for them. Interestingly, the majority of respondents believe the ideal situation would be for a group to make the decision, but one person should be accountable for it.

Conclusions, implications and future research directions. Based on the above studies and research, the following conclusions can be drawn.

1. According to several researchers, there is a correlation between corporate social responsibility (CSR) and social innovation. CSR can be an incentive for social innovation.
2. There is a connection between CSR and financial performance.
3. It has been suggested that there may also be a correlation between CSR and good management practices.
4. In our empirical research, we concluded that a significant portion of small and medium-sized enterprises (SMEs) do not have a CSR policy or strategy, and even if

they engage in such activities, they are marginal. 5. When selecting leaders, the willingness to engage in CSR is not taken into consideration, even though leaders are in a position to make such decisions. 6. Consequently, leadership is one of the main barriers to SMEs' CSR activities, and since CSR would have an encouraging effect on social innovation, it becomes a limiting factor for such activities. 7. Therefore, if leadership selection took CSR and social innovation willingness into account, and if the owners and stakeholders expected such activities, it would undoubtedly motivate and intensify CSR-related actions.

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About the Authors

Bako Tamas (Бакo Томас) – University of Miskolc, Institute of Management Sciences, Master of Business Administration, email: tamas.bako@uni-miskolc.hu