

THE EMERGENCE AND RELEVANCE OF DIFFERENT CSR MOTIVATIONAL FACTORS AMONG HUNGARIAN SMES

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The paper aims to observe Corporate Social Responsibility (CSR) related motivations in the Hungarian small- and medium-sized enterprise (SME) sector. Literature on CSR distinguishes SMEs from large companies. Being closer to stakeholders, they have special motivational patterns and different possibilities. These features result in special mindset, vocabulary, and activities related to CSR. Based on the literature, we differentiate three types of motivational factors: the Friedmannian view, business case, and moral case. Within all three types, we separately handle incentives and disincentives of CSR. In our comprehensive research on sustainability implications (e.g., stakeholders, motivations, supporting and hindering factors, topics, and activities) among Hungarian SMEs, we used mixed methodology. In the exploratory phase, the qualitative method covered three focus group sessions. Based on the qualitative results, we designed a structured and systematic questionnaire that was surveyed on a representative sample of 300 SME leaders in 2023. Within the 3 types, a total of 9 motivational statements have been selected for the current study to highlight the most dominant motivational characteristics among Hungarian SMEs. Although the business case exists, the moral responsibility of SME leaders is highlighted, and it is tangible that we have gone beyond Friedman's idea about the priority of profitmaking.

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1 Introduction

The motivations for taking responsibility for sustainability can be linked to the fundamental question ‘What is the purpose of business activity?’ Mainstream economics claims that the primary purpose, responsibility is to enable economic growth by profit-making. One of the best-known manifestations of this profit-oriented view of firms is Friedman, who argued that firms are merely responsible for increasing their profits (Friedman, 1970). According to the shareholder value approach, companies aim at increasing shareholder value in the long run, but in practice, this approach was often associated with short-term profit maximization and had many negative consequences. Among other consequences, this approach has led to economic instability and crisis (Porter, 1992), self-interest, corporate scandals, and other kinds of irresponsible corporate behaviour (Clarke, 2015).

Although the mainstream economics ignores it but ethical norms necessarily exist in business. Business ethics encompasses the concept, principles, issues and need for CSR, which stems from general ethical theories and principles of sustainability. One of the most important theories of business ethics is the stakeholder theory (Freeman, 2016), which states that, since all stakeholder groups contribute to the value creation of the company, to different degrees and with different means and resources (e.g. money, labour, raw materials, infrastructure, purchase of products and services), the company should operate with attention to their legitimate needs, expectations and the impacts on them. Dealing with the interests of stakeholders is a moral obligation (moral case), additionally, it is the basis of the expectation that stakeholders will reward the company with their loyalty (business case, Frank, 2010).

The contribution of different stakeholder groups to value creation is multidimensional. This is how the understanding of micro-level responsibility is linked to sustainability as a global goal aiming for development in social and environmental dimensions – besides economic one.

In this article, we investigate the three types of motivational factors: the Friedmannian view, business case, and moral case among the Hungarian SMEs. Within all three types, we separately handle incentives and disincentives of CSR.

2 Literature review

The literature on CSR distinguishes between SMEs and large companies (Málovics, 2009, Jansson et al., 2017, Bikefe et al. 2020, Metzker & Streimikis, 2020, IIRC, 2021, GRI, 2022). First, SMEs have different motivations concerning their responsibility, because they are closer to their stakeholders, whose expectations are perceived differently consequently better understood.

Second, their capacity to take responsibility is limited because they have fewer organisational, human (Radácsi, 2021), and financial resources (Mahmood et al., 2021). These characteristics result in specific mindsets, vocabularies and activities for CSR and sustainability efforts, but it is undeniable that they must also address responsibility, as defined by the UN (2015) in the Agenda 2030, which includes the Sustainable Development Goals.

Given the prominent role of SMEs, and thanks to their unique characteristics and capabilities in CSR, the study of their practices has led to a new field of research on CSR and corporate sustainability (Magrizos et al., 2021).

In this article, as predicted in the Introduction section, we specifically focus on the CSR motivations of SMEs, which can be classified into three broad types according to the literature. The first type is the Friedmannian view, regarding that a company should only care about the interests of stakeholders if and only if it has a positive profit effect in the short term in the sense of direct, monetary return (Friedman, 1970). As a disincentive, this type of motivation argues that anything the company does, but it does not increase profits, is a misuse of shareholders' money.

Business case, as opposed to this narrow economic approach, refers to the economic advantage that a company can achieve by meeting the sustainability needs and expectations of its stakeholders. CSR activities and their appropriate communication will improve the reputation of the company (Porter & Kramer, 2002, Kotler & Lee, 2005, Economist, 2008, Fenwick et al. 2022), increase consumers' and employees' loyalty (Gannon & Hieker, 2022, Berniak-Woźny et al., 2023), and enable better financial conditions (Doane, 2005, Boze et al. 2019, Gjergji et al., 2020), so those lead to cost savings and innovation ideas (Zastempowski & Cyfert, 2021, Csutora et al., 2022), finally contribute to compliance with law (Shalhoob & Hussainey, 2023).

The third type, explicitly business ethical motivation or moral case, arises from the fact that the company's management recognises and acknowledges the company's impacts on its stakeholders because the management is willing to take responsibility for these impacts (Győri, 2012, Boda et al., 2013, Zsolnai, 2022, Rockström & Sukhdev, 2016, Carroll, 2021, Gillian et al., 2021).

3 Methodology

This paper is a part of a broader research (Kolnhofer-Derecskei et al., 2022, Győri et al., 2023), and aims to observe sustainability-related attitudes, activities and motivations in the Hungarian SME sector.

In our comprehensive research on sustainability implications (e.g., stakeholders, supporting and hindering factors, issues, and behaviours), mixed methodology was used. In the exploratory phase, the qualitative method covered three focus group sessions. Based on the qualitative results, we formalized a structured and systematic questionnaire that was surveyed on a representative sample of 300 SME leaders in 2023.

The stratified random sample was taken from identifiable groups (strata) that are homogeneous for three desired characteristics, namely (1) company size based on the number of employees; (2) region; and (3) economic activity classification.

In this paper, the three types of motivation are represented by 3-3 statements about the role and responsibility of companies. Each statement measured the respondents' beliefs, attitudes and understanding on a 7-point ordinal scale, some of them from 0 to 7, though several statements applied a bipolar scale; we indicate the different scales in the results. We investigated with the use of ANOVA whether the characteristics of the SMEs (size, gender of the leader, sector) have an impact on their motivational viewpoints.

Statements related to the Friedmannian view:

- F1. Companies should only address environmental and social problems that they have caused themselves.

- F2. Many business leaders only make excuses when they fail to act to protect the environment because of a lack of financial resources.
- F3. The public receives excessive information on the responsible behaviour of companies.

Statements related to the business case:

- B1. Companies only engage in corporate social responsibility because stakeholders expect them to.
- B2. There is a strong expectation from local communities to assume responsibility for environmental issues.
- B3. The expectations of market actors, such as our partners or competitors, only extend to compliance with legal requirements.

Statements related to the moral case:

- M1. I wouldn't be able to look in my children's eyes if we were only seeking profit and did not respect the rules of social coexistence.
- M2. Every individual has a responsibility to avoid reducing the life quality of humanity's future generations.
- M3. It is the responsibility of every individual to do all that is reasonably possible to protect the natural environment.

4 Results

Based on the descriptive statistical results (shown in Table 1), the respondents tend to disagree with the statements advocating the Friedmannian view (F1 and F3), while they seem to agree with the statement denying it (F2), in this motivation type, so it can be interpreted as a disincentive. These results suggest that the fully mainstream, profit-oriented position is not typical or just weakly exists among Hungarian entrepreneurs.

Related to the business case as motivation, respondents are generally neutral (B1) and found stakeholders' expectations to be only moderate (B2), with a wide standard deviation. Moreover, the Hungarian market stakeholders (e.g. partners and

competitors) do not go beyond expecting compliance with legislation (B3). As a result of this, all of these results can be interpreted to be disincentives.

Table 1: Descriptive statistics of the statements (source: own elaboration)

Statements	Scale	Mean	Std. Deviation
F1. Companies should only address environmental and social problems that they have caused themselves.	[-3;3]	-0.94	1.961
F2. Many business leaders only make excuses when they fail to act to protect the environment because of a lack of financial resources.	[-3;3]	0.89	1.711
F3. The public receives excessive information on the responsible behaviour of companies.	[-3;3]	-0.47	1.637
B1. Companies only engage in corporate social responsibility because stakeholders expect them to.	[-3;3]	0.11	1.770
B2. There is a strong expectation from local communities to assume responsibility for environmental issues.	[0;7]	3.77	2.028
B3. The expectations of market actors, such as our partners or competitors, only extend to compliance with legal requirements.	[0;7]	5.40	1.733
M1. I wouldn't be able to look in my children's eyes if we were only seeking profit and did not respect the rules of social coexistence.	[0;7]	6.16	1.311
M2. Every individual has a responsibility to avoid reducing the life quality of humanity's future generations.	[-3;3]	2.65	0.851
M3. It is the responsibility of every individual to do all that is reasonably possible to protect the natural environment.	[-3;3]	2.47	1.366

On the contrary, the third motivation type, the moral case seems to be determined, the responsibility for future generations (manifested by own children of the entrepreneurs, M1) score is 6.16 on the [0;7] scale and gets in general 2.65 on the [-3;3] scale (M2). Similarly, the responsibility for the natural environment tends to be crucial, as well (M3). It means that moral case motivations are mainly incentives for taking responsibility.

5 Discussion

With ANOVA as a tool for inferential statistical analysis, we investigated the relationship between motivation types and SMEs' characteristics, like size of the firm, gender of the leader and sector where the company is registered. In the case of the statements related to the Friedmannian view, we found significant differences in the following points.

Female leaders (121 persons in the sample) more strongly deny statement F1 ($F=4.673$, $p=0.010$), and statement F3 ($F=4.103$, $p=0.017$). In the case of F3, we found significant differences based on sectors ($F=2.463$, $p=0.018$), the most responsible sectors are 'Professional, scientific and technical activities' with score -1.27, and 'Other services (administration, education, arts, finance, communication, real estate)' with score -0.71. Company size did not have a significant impact on this motivation type.

Related to the business case, medium-sized enterprises (42 in the sample) feel stronger expectations from stakeholders ($F=3.812$, $p=0.052$), and it features in the case of female leaders ($F=2.875$, $p=0.058$).

In the moral case, as described above, there is broad agreement on the existence of responsibility, with generally significant results, but for female leaders, we found significantly stronger motivation levels ($F=7.620$, $p=0.001$).

6 Conclusions

Based on our results, CSR and corporate sustainability exist among Hungarian SME leaders, the moral case is a strong motivating factor, reinforced to a small extent by the business case - but in fact, the expectations of Hungarian stakeholders are not high -, while the Friedmannian, just profit-oriented viewpoint is largely denied. This shows that Hungarian SME leaders recognise their responsibility for sustainability. Within the overall strong motivational level, female managers also stand out, similar to previous findings in the literature (Gilligan, 2014, Lu et al., 2020, Wei et al., 2021).

In the next phase of our research, we will go further in investigating the different types of motivation in order to bear a complete picture of the present situation and further directions of CSR among Hungarian SMEs. Having thus explored the CSR motivations of Hungarian SMEs in more depth, the next stage of the research will be to compare them with global trends in order to improve the relevance and applicability of our research.

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