



**UNIVERSITÉ  
DE GENÈVE**

Certificate of Advanced Studies in Corporate Social Responsibility

Faculty of Economic and Social Sciences

January-June 2012

**Exploring the Link between CSR and SMEs  
in Developing Countries:  
the Case of Somalia**

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**Abstract**

The paper analyzes the linkages between corporate social responsibility (CSR) and small and medium-sized enterprises (SMEs) in a developing country context. In particular, it explores and discusses the role and characteristics of responsible business practices within SMEs in Somalia, focusing on the impact of local institutional factors. Through an empirical analysis, the paper aims in fact to understand whether and to what extent the local institutional structure influences the adoption of socially responsible practices within the Somali small business. In relation to that, the research findings demonstrate that local institutions play a key role in shaping the expressions of responsible business activities within small and medium-sized firms in Somalia.

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## **Acknowledgments**

The author would like to express her thanks to Michael Hopkins for his advice and guidance during the preparation and testing of the surveys in the initial stage of work. Sincere and deep thanks also go to Rahma Mohamed Hassan (President of the Association for Aid to Women and Children in Somalia), Ahmed Moalim Abdullahi (President & CEO of the Talowadag General Trading Company) and Abdi Abshir Dhorre (General Director of the Somali Chamber of Commerce and Industry) for their support in the carrying out of the interview process in Mogadishu. A grateful acknowledgment finally go to all the small business representatives who kindly devoted their time to answer the questionnaire, making this study possible.

## 1. Introduction

### 1.1 Background & Aim of the Paper

The relationship between corporate social responsibility (CSR) and small and medium-sized enterprises (SMEs) in developing countries represents a complex issue whose manifold aspects remain not yet fully explored in the literature. The latter, in fact, has mainly tended to highlight the role of CSR within the large multinational corporations in relation to Northern economic contexts. This partly stems from the nature of the concept of CSR as a predominantly developed-country and large corporation-related phenomenon in its terminology and approach. In this perspective, the analysis of responsible business practices with reference to SMEs and developing countries has pointed out their less formalized, culturally embedded, more philanthropic and local community oriented nature while emphasizing the need to formulate theories and concepts of CSR more adequate to a small business environment in a Southern context. That appears particularly important as small and medium-sized enterprises account for over 90 per cent of businesses worldwide and over 50 per cent of employment,<sup>1</sup> playing a significant role in the promotion of social and economic development. Furthermore, the process of globalization characterized by a strong interconnection between economies and the relevance of issues related to poverty reduction as well as social, economic and environmental sustainability highlight the importance of understanding, analyzing and promoting the potential for responsible business practices in developing countries. They in fact constitute the largest part of the world's population, significantly contributing to global social and environmental problems.

Based on that, this paper intends to foster an improved understanding of the linkages between CSR and SMEs in a Southern context by analyzing the role and characteristics of responsible business activities in an Eastern African country, namely Somalia. In particular, the paper aims to answer some main research questions: (I) what are the perceptions of CSR in the SMEs in Somalia?; (II) what are the various types and scale of responsible business practices in which Somali SMEs are involved? How they engage in such activities?; (III) what are the primary drivers that determine the adoption

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<sup>1</sup> Raynard and Forstater, 2002. The authors do not present a specific definition of SMEs, mainly focusing on SMEs contribution to employment and business worldwide as well as their economic and social role.

of CSR practices by Somali SMEs? What are the main barriers that hinder the adoption of these activities?; (IV) are they linked to specific local institutional factors? If yes, what are these factors? How do these latter factors shape the expression of socially and environmentally responsible behaviour in SMEs?

To answer these questions, a sample of eight small and medium-sized enterprises from different economic sectors was interviewed. The focus of interviews was placed on the analysis of the institutional context within which Somali SMEs operate in the light of the relevance that socio-economic, cultural and political dynamics play as key factors in influencing the adoption of responsible business practices. Along with that, the choice to analyse the relationship between CSR and SMEs in Somalia stems from the purpose to fill some gaps in the literature in relation to CSR practices in the African continent. It emerges, in fact, that there is a lack of research on socially responsible activities within African small and medium-sized enterprises and their linkages with local institutional factors.<sup>2</sup> In this perspective, Somalia represents an interesting case-study due to the specific and complex institutional environment that has characterized the country during the last two decades.

In exploring the aspects mentioned above, the paper introduces an initial definition of the concept of CSR and SMEs while offering a literature review on the role and main characteristics of socially responsible behaviour in the Southern context and the importance of institutional factors. Such a theoretical framework constitutes the basis for the empirical analysis provided in Section 3 which presents the research findings and their discussion. Lastly, Section 4 sums up and concludes proposing some hints for a future promotion of CSR within Somali SMEs.

## 1.2 Methodology

The approach of analysis undertaken for drawing up this paper has been based on both primary research data through interviews and secondary research data gathered from the literature on CSR and SMEs in developing countries.

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<sup>2</sup> To date, most of the literature regarding the adoption of socially responsible practices in developing countries has emerged in relation to Latin America, South Asia (particularly India), South Africa and some countries in the East such as Philippines.

In particular, the process of preparation of questionnaires and following interviews was characterized by two different stages of work. In a first phase, the author undertook a series of consultations with her supervisor Michael Hopkins who encouraged her to design a short questionnaire and to test it. In a second phase, she conducted a research through her network as well as in different organizations – including the UN – in order to get contacts with a sample of SMEs in a State of the Sub-Saharan Africa. During this stage, the author was able to get in touch with the President & CEO of a General Trading Company in Mogadishu who kindly put her in contact with different Somali SMEs in the capital. Based on that, she started her interview process through the sending of questionnaires by e-mail and, in some cases, through phone calls in order to follow-up and create a more direct connection with the enterprise representative. This allowed her to carry out a qualitative research on the relationship between CSR and SMEs in a developing country context.

## 2. CSR and SMEs in Developing Countries

In this section, our main aim is to provide theoretical tools which will allow us to analyze the research findings resulting from the interviews carried out in Somalia. To this end, it will be essential to define what we mean by CSR and SMEs and what the literature has so far highlighted in relation to the link between CSR and SMEs in developing countries. To complete such a background, a specific analysis of the institutional theory and its relevance for the implementation of socially responsible practices will be presented.

### 2.1 Definitions

#### 2.1.1 What is CSR?

Across the literature, manifold definitions of CSR have been proposed by different authors and institutions.<sup>3</sup> In this paper, it has been decided to adopt Michael Hopkins'<sup>4</sup> definition according to which *"Corporate Social Responsibility is a process that is concerned with treating the stakeholders of a company or institution ethically or in a responsible manner. 'Ethically or responsible' means treating key stakeholders in a manner deemed acceptable according to international norms. Social includes economic and environmental responsibility. Stakeholders exist both within a firm or institution and outside. The wider aim of social responsibility is to create higher and higher standards of sustainable living, while preserving the profitability of the corporation or the integrity of the institution, for peoples both within and outside these entities."*<sup>5</sup>

Such a definition is relevant for both large corporations and small and medium-sized enterprises. Nevertheless, since the ways through which the CSR process is implemented differ in relation to large and small business respectively as well as within Northern and Southern countries, it is important to understand how the main aspects highlighted in this definition are expressed in a small business environment in developing countries. In particular, it is fundamental to investigate what it is meant by CSR activities with reference to small enterprises in a Southern context. Can it really

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<sup>3</sup> See for example the World Business Council for Sustainable Development (WBCSD), the European Union, Carroll, etc.

<sup>4</sup> Michael Hopkins is Managing Director of MHC International and Professor of the International Centre for Business Performance and Corporate Responsibility at Middlesex University Business School in London, UK.

<sup>5</sup> Hopkins, 2003 (p. 10). Updated by the author in July 2011.



imply profitability of the enterprise while providing a sustainable living? Is it achievable for a small business in a developing country? This analysis primarily needs to point out how SMEs are defined as well as their characteristics and role in the development process.

### 2.1.2 How SMEs are defined?

The term SMEs encompasses a broad range of definitions. Over time, countries and multilateral institutions have in fact adopted different definitions of SMEs based on the number of employees, size of annual turnover, value of assets, formal or informal status of the enterprise and ownership structure. It, thus, emerges that there is not a common agreed definition of SMEs, both in developed and developing countries. In relation to that, this paper presents the definition adopted by the European Commission as a framework of reference. According to such a definition and as shown in the Table 2.1, *the category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.*<sup>6</sup>

**Table 2.1: European Commission Classification of SMEs**

Company category	Employees	Turnover	Balance sheet total
Medium-sized	< 250	≤ € 50 m	≤ € 43 m
Small	< 50	≤ € 10 m	≤ € 10 m
Micro	< 10	≤ € 2 m	≤ € 2 m

Source: European Commission. Enterprise and Industry, 2011.<sup>7</sup>

The definition of SMEs adopted by the European Commission can be thus read in a broad perspective, in the light of regional differences based on the peculiarities of the national economies. Despite these international differences in definitions and classifications, there is however a wide consensus about the positive role that SMEs play in the process of economic development. A large part of the literature as well as empirical evidence emphasize, in fact, the significant contribution of SMEs to employment generation and poverty reduction, especially in relation to developing

<sup>6</sup> European Commission, 2005. As evident, in the definition adopted by the European Commission, the acronym SMEs also includes micro enterprises along with small and medium-sized firms.

<sup>7</sup> "Small and medium-sized enterprises (SMEs), What is a SME?". Available at: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm).

countries. In particular, it is primarily highlighted the labour-intensive nature of SMEs as a factor able to promote productive employment opportunities and a more equitable income distribution and consequent social stability.<sup>8</sup> This largely reflects the use of medium-sophistication technology<sup>9</sup> which tends to be consistent with the factor endowment ratio in many developing countries, positively impacting on the growth process and the reduction of disparities between urban and rural areas.<sup>10</sup> Along with that, it emerges the relevance of SMEs for entrepreneurship development and innovation. Most of the literature points out, in fact, the capacity of SMEs to absorb productive resources, contributing to the creation of economic systems characterized by strong linkages between small and large firms – such as subcontracting – able to stimulate the attraction of foreign investments and the increase of competitiveness.<sup>11</sup>

Overall, therefore, small and medium-sized enterprises are deemed to play a significant role in the promotion of economic and social development paving the path to industrialization, especially in Southern contexts. Based on that, it is interesting to analyze how the relevance and role of SMEs are linked to the adoption of socially responsible practices, namely if these can support the positive impact of SMEs on the development process or if they are intended to reduce SMEs potential.

## 2.2 Role and Characteristics of CSR in Southern SMEs: a Literature Review

Given the importance of SMEs for the process of economic development and their consequent social and environmental impact, the adoption of socially responsible practices in the context of small business is of significant value. This acquires even more relevance in the light of the fact that small and medium-sized firms in Southern countries are being influenced by CSR legislation, standardization and certification as well as direct supply chain relationships, highlighting the significance of linkages between socially responsible activities and SMEs. In this perspective and although the literature on CSR has its roots and its main developments in the context of large enterprises as well as in developed countries, a recent body of research has started to

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<sup>8</sup> Raynard and Forstater, 2002; Berry, 2007.

<sup>9</sup> As observed by Berry (2007), the labour-intensive nature of SMEs can be considered an intermediate technology pattern between the highly labour-intensive technologies adopted by micro enterprises and the highly capital-intensive technologies of large firms, enabling them to reduce inequalities and promote a higher national stability.

<sup>10</sup> *Ibidem*.

<sup>11</sup> Raynard and Forstater, 2002.

analyze the role and characteristics of CSR within small and medium-sized firms. In particular, what has mainly emerged so far is the culturally embedded, local community oriented, less formally institutionalized and more philanthropic nature of CSR within SMEs. This, combined with problems of cost certification, monitoring and auditing as well as difficulties in complying with international standards has led to the diffusion of the concept of 'silent responsibility' in relation to small and medium-sized firms. It has been, in fact, observed that SMEs' activities – especially in developing countries – are often not documented and are not part of specific drafted or structured strategies. They present therefore an implicit or 'silent' approach to CSR, namely based on informal ethical practices such as integrity, safety and health of employees, engagement with local community, building of interpersonal relationships and trust - each deeply rooted in cultural and religious values.<sup>12</sup> The latter constitute an important and critical factor in influencing the adoption of socially responsible practices as they are expression of the context-specific characteristics within which the firms operate. The role of such a context is significant in the light the fact that in many cases the approaches to CSR with which Southern SMEs confront themselves tend to be incompatible to their economic and social environment. Most of the literature emphasizes, in fact, that the process of demonstrating compliance with standards generally elaborated in the North and by large corporations constitutes a barrier to market entry for small and medium-sized enterprises in developing countries.<sup>13</sup> Such a barrier is mainly related to issues of affordability and applicability as well as to the inappropriateness of CSR practices to methods of production different from the ones implemented in Northern countries. Along with that, the scarcity of assets such as stock of technology, environmental infrastructure and environmentally friendly materials, credit, financial inputs, incentives, information and training makes costs of auditing and certification particularly expensive for SMEs, negatively impacting on the compliance with international standards.

Each of these factors – as highlighted in the literature – points out a mainly Northern approach in analyzing and conceiving CSR as a whole. This is primarily evident in relation to the terminology that – as it has been observed by some scholars<sup>14</sup> – uses the expression "corporate", a word likely not appropriate to a small business environment.

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<sup>12</sup> Jamali, Zanhour & Keshishian, 2009.

<sup>13</sup> Raynard and Forstater, 2002; Fox, 2005.

Furthermore, the focus on formal measuring tools and report as well as on global supply chain linkages between transnational corporations (TNCs) and SMEs can be largely considered an indication of a Northern-based perspective since it implicitly leads to an image of small and medium-sized firms as CSR laggards.<sup>15</sup> In this context, it appears important to shift the focus towards a greater understanding of socially responsible practices among Southern SMEs, promoting management processes and approaches that are sensitive to the culture and environment within which such firms operate. As already underlined by Jeppesen (2009), acquiring an in-depth local knowledge of SMEs and their context can contribute to create the basis for viable and appropriate small business responsibility, fostering and facilitating the interaction between Northern and Southern practices. In the light of these aspects, it is thus fundamental to take into account the path dependence which molds every country and its institutional structures.

### 2.3 Moving Forward: the Importance of the Institutional Context

In analyzing the socially responsible behavior of an enterprise, it is important to consider the set of social, economic and political factors which characterize the context within which the firm operates. They constitute, in fact, the institutional structure through which enterprises engage in different types of activities in a given environment. In this perspective, institutional theory acquires a relevant role as it recognizes the importance of institutional forces in influencing the formulation of organizational action. In particular, according to Scott (2004) institutional theory “*considers the processes by which structures, including schemas, rules, norms, and routines, become established as authoritative guidelines for social behavior. It inquires into how these elements are created, diffused, adopted, and adapted over space and time [..]*”<sup>16</sup> Similarly, institutions are defined as “*cultural-cognitive, normative and regulative elements that, together with associated activities and resources, provide stability and meaning to social life*”.<sup>17</sup> Based on this definition, therefore, different factors beyond the market affect the enterprises’ responses to the interests of social actors. Such factors can act at both meso and micro levels, exerting an institutional pressure that enable or undermine the

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<sup>14</sup> See for example Laura Spence, director of the Royal Holloway, University of London’s Centre for Research into Sustainability: Wayne Visser, 2012. Practicing Social Responsibility without the CSR Label. *The Guardian*. 12 September.

<sup>15</sup> Jeppesen, 2009.

<sup>16</sup> Scott, 2004 (p. 2).

<sup>17</sup> Ibidem (p. 8).

adoption by firms of socially responsible behavior.<sup>18</sup> For example, in his analysis of macro level institutional pressures, Campbell (2007) observes that enterprises tend to act in a socially responsible way when they confront themselves with strong state regulations, collective industrial self-regulation, independent organizations such as NGOs and the presence of a normative institutional environment that support the adoption of responsible behavior along with the involvement in stakeholders dialogue and industrial associations. In this context, institutional support appears to be fundamental in order to stimulate firms to behave responsibly. A similar support - and in some cases constraint - can also involve local or micro institutional pressures which reflect political, financial, education and cultural systems within which enterprises are embedded. It is this the case highlighted, for instance, by Jamali and Neville (2011) in their analysis of CSR practices implemented in the Lebanese context. The authors point out, in fact, the role of deeply rooted national cultural and religious values as factors that continue to shape the expressions of socially responsible practices by local actors, particularly within SMEs.

According to such examples and the institutional theory as a whole, organizations therefore tend to incorporate and interpret manifold institutionalized signals and their variations in terms of socially responsible behavior can be largely associated with variations in institutions. Based on this framework, the following section will present some empirical data related to the adoption of responsible business practices in the Somali context, seeking to explore their relevance in relation to the national institutional fabric.

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<sup>18</sup> Jamali and Neville, 2011.

### 3. Somalia Case-Study

In the light of the theoretical framework discussed in the previous paragraphs, the aim of this section is to present an empirical analysis of the implementation of socially responsible practices by SMEs in Somalia. To this end, it will be initially delineated the social and economic context of the country so as to introduce subsequently a detailed analysis of the research findings. The latter are based on a set of interviews carried out within small and medium-sized enterprises in the city of Mogadishu, the capital of Somalia. Such interviews were conducted in the period between the end of July and the beginning of August 2012 through the sending of questionnaires to some eleven enterprises belonging to different economic sectors.<sup>19</sup> Out of the eleven enterprises interviewed, a number of eight replied to the questionnaire, thus constituting the basis of our analysis.

#### 3.1 The Socio-Economic Context of Somalia

Somalia is an Eastern African country located in the Horn of Africa and bounded by Ethiopia on the west, Djibouti on the northwest, the Gulf of Aden on the north, the Indian Ocean on the east and Kenya on the southwest. It accounts for a total area of 637,657 square kilometers and a population of around 10 million inhabitants made up of Somali (85 per cent), Bantu and other non-Somali ethnic groups (15 per cent)<sup>20</sup> largely belonging to the Islamic religion. From a political point of view, the country has recently ushered in a parliamentary federal government after two decades of civil war, marking the end of the Transitional Federal Government (TFG)'s interim mandate and the formation of the first permanent central government since the outbreak of the civil war in 1991.<sup>21</sup> Such an administration is currently characterized by a national mixed legal system that arose in the previous years of central government absence and divided along three lines of civil law, Islamic law and customary law (referred to as Xeer).<sup>22</sup> These three different types of law have been extensively used in relation to conflict

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<sup>19</sup> The industrial sectors covered by the survey included manufacturing of computer and electronic products; transport, storage and communication; construction; leather and manufacturing of pharmaceutical products. For more details, see Appendix A.

<sup>20</sup> CIA -The World Factbook (July 2012 estimations). Available at: <https://www.cia.gov/index.html>.

<sup>21</sup> The new federal government was ushered on September 10, 2012 when clan elders appointed 275 members to a new parliament and a new President of Somalia – Hassan Sheikh Mohamud – was elected.

<sup>22</sup> Xeer represents a polycentric legal system which is assumed to have developed exclusively in the Horn of Africa since 7<sup>th</sup> century. It is characterized by the absence of any monopolistic institution or agent that

resolution, common civil cases and support of economic development. Despite the critical political situation, Somalia has been in fact able to maintain a healthy informal economy mainly based on livestock, remittances and money transfer services<sup>23</sup> as well as telecommunications, reaching a per capita income equal to \$586 according to 2010 estimations.<sup>24</sup> Of this GDP, agriculture accounts for the largest part – about 60 per cent – representing the most important economic sector within the country.<sup>25</sup> Differently, the industrial sector constitutes only 7.4 per cent of Somalia's GDP and it is made up of a number of small-scale plants that are largely supported by substantial local investments from the Somali diaspora. The latter – amounting to about \$ 1 billion per year – have also sustained the growth of the service sector which has mainly developed in relation to telecommunication companies providing wireless services in most of the country and offering the lowest international call rates available on the continent.<sup>26</sup> Such a development is largely indicative of the importance and role played by the private sector which has flourished over the years despite the absence of a central government, fostering manufacturing on a small scale and providing services previously monopolized or dominated by the public sector – including health and education services.<sup>27</sup> Nevertheless, the consequences of two decades of civil conflict and persistent insecurity continue to threaten the growth of the private sector and the social development as a whole. It is, in fact, estimated that poverty affects about 73 per cent of households, reaching a value of 80 per cent among rural and nomadic populations.<sup>28</sup> Similarly, the unemployment rate is assessed to account for 61.5 per cent in urban areas and 40.7 per cent in rural settings,<sup>29</sup> a condition aggravated by inadequate access to basic services and infrastructure as well as extremely low rates of education. The gross primary school enrollment represents, in fact, one of the lowest in the world with a value of 22 per cent, resulting in a classification of Somalia as 161 out of 163 countries in the 2001 UNDP's Human Development Index.<sup>30</sup>

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determines what the law should be or how it should be interpreted, providing an authentic rule of law able to support trade and economic development (MacCallum, 2007).

<sup>23</sup> In the absence of a commercial banking sector or financial institutions since 1991, money transfer companies have emerged as the most prominent players in the financial sector (Nenova, 2004).

<sup>24</sup> CIA – The World Factbook, 2012.

<sup>25</sup> Livestock is, for example, estimated to account for about 40 per cent of GDP and more than 50 per cent of export earnings (Ibidem).

<sup>26</sup> Ibid.

<sup>27</sup> The World Bank. Somalia Country Brief, 2009.

<sup>28</sup> Ibid.

<sup>29</sup> ILO, ca. 2011.

<sup>30</sup> The World Bank. Somalia Country Brief, 2009.

These factors highlight the important and crucial role that the new parliamentary federal government can play with respect to the economic and social context of Somalia, including the promotion of a sustainable small business able to contribute to employment generation and community welfare.

### 3.2 Research Findings

The findings of the research will be presented in a way to reflect the main sections of analysis addressed in the questionnaire, namely the perceptions of socially responsible practices within SMEs, the type and scale of such activities, the drivers and barriers able to influence the adoption of CSR as well as the potential impact of the local institutional factors. In this analysis, the identities of respondents and organizations will not be disclosed for confidentiality and anonymity purposes.

#### 3.2.1 Perceptions of CSR in SMEs

In exploring the perceptions and the level of understanding of the concept of CSR by managers and partners interviewed, a broad picture characterized by some common elements has emerged. In particular, three respondents declared to perceive CSR as the involvement with the local community welfare; a fourth respondent stated to mean CSR as a set of charity actions; a fifth respondent indicated his perception of CSR as systems of certification and a sixth respondent as guidelines for responsible governance, environmental and social issues. Furthermore, another respondent specified his personal perception of CSR as a set of guidelines for responsible governance, environmental and social issues while emphasizing the involvement with local community welfare and charity actions as perceptions of CSR in the Somali business context. He therefore presented two different responses related to both personal and local-specific understanding. Only one interviewed indicated 'other' as response, highlighting that 'corporate' does not exist in Somalia. He noted, in fact, that as a result of two decades of civil war 'corporate' never established in the country. Along with these statements, half of the respondents declared to have a high understanding of the term CSR whereas the remaining half pointed out to have a fairly good understanding of it.



### 3.2.2 Types and scale of CSR activities

In relation to the responsible business practices implemented by the Somali SMEs, two firms interviewed with 75 and 150 employees stated to adopt different measures related to environmental protection, labour welfare, training and development, health care initiatives and charity. Other four enterprises reported to implement most of these activities except the ones related to the health care. In particular, three of these firms made up of 150, 40 and 15 workers also indicated to not implement activities related to environmental protection, training and charities respectively. Finally, one respondent managing a firm of 15 employees declared that only training and development activities were implemented within his own enterprise whereas another manager running a business with 38 employees emphasized the implementation of labour welfare measures exclusively. Along with that, six enterprises specified to implement these activities formally and only two firms – with 15 and 40 workers – indicated to adopt socially responsible practices discretely. Furthermore, the majority of respondents pointed out the lack of any published CSR report or information material within their own enterprise. Only two managers, in fact, highlighted the presence of publications on responsible business practices within their firms made up of 150 and 135 employees respectively while one respondent with a firm of 8 workers stressed the adoption of periodic communication to all stakeholders.

### 3.2.3 Drivers and barriers of CSR practices

In the analysis of primary drivers and barriers of socially responsible practices, some interesting findings have emerged in relation to Somali SMEs. The majority of respondents highlighted, in fact, ties and integration with the local community as main drivers of CSR activities. Alongside that, religious and cultural beliefs, ethical and personal values and commitment to environmental sustainability were considered fundamental by about half of the interviewed. Similarly, the increase of enterprise's reputation was indicated important by about three managers while workers security and health along with customer expectations and financial efficiency gains were reported as significant within two firms. On the other side, the main barriers to the implementation of CSR activities were largely identified in time and resource costs. Some respondents also indicated as barriers the presence of complex procedures of measurement and reporting as well as the lack of efficient institutions and facilities to assist and implement CSR activities. Finally, two interviewed emphasized low return on investment and

monitoring and auditing costs respectively as constraints to the adoption of responsible business practices.

#### 3.2.4 The impact of local institutional factors

In relation to the impact of local institutional factors on the adoption of socially responsible practices, about half of the respondents indicated that religious beliefs, cultural traditions, societal values, academia, clan membership and state of the economy have a role in influencing the engagement in responsible business practices within the small business in Somalia. They also highlighted that such factors tend to reflect peculiarities in the Somali context that is necessary to account for. In particular, one respondent pointed out that Somali clan identity and 'fairness' of treatment between the main clan bases are of paramount importance in fostering the integration of international commerce into the extant Somali commercial and social structures. Similarly, another respondent stated that CSR in Somalia mainly concerns activities like helping others, giving back to the community or even sometimes providing public goods such as digging water wells, construction of mosques, paving roads etc. The protection of environment remains, however, a secondary issue in the Somali business context due to various factors such as the lack of government institutions and technology, the absence of cohesiveness among business community, the lack of awareness and knowledge about what constitutes environmental degradation as well as the absence of an organized CSR policy built into the company's mission statement. The same respondent also stressed that religious beliefs tend to influence the philanthropy part of CSR as many people believe that giving back to the community is a religious duty and they will be rewarded in return spiritually.<sup>31</sup> Another crucial factor he emphasized is the culture. The respondent highlighted, in fact, the collectivist character of the Somali society which is expressed in the form of a duty to help one's kinship, friend and anyone who seeks help regardless of clan affiliation.

Finally, with respect to potential opportunities and/or constraints that might affect the evolution of socially responsible practices in the Somali small business context, a great part of the interviewed stressed the presence of two decades of civil war and the consequent lack of Government and governance legitimacy along with the absence of written regulation within the major governmental departments as main constraints. It

was also underlined the poor economic condition of the country and the scarce knowledge of CSR related issues at the national level, resulting in the absence of yearly reports also among larger Somali companies. In this context, different respondents identified potential opportunities in the evolution of well organized corporation, in the presence of an effective government as well as in the promotion of training, education and awareness.

### 3.3 Discussion and Analysis

From the analysis of the research findings, it emerges a relationship between Somali SMEs and CSR that largely reflects what has been highlighted so far in the literature while providing some interesting inputs.

Such an analysis has in fact primarily shown that the adoption of socially responsible practices by Somali small and medium-sized firms is strongly related to the involvement and integration with the local community as well as to religious and cultural beliefs and ethical and personal values. Furthermore, it confirms the focus placed by SMEs on workers security and health as one of the main drivers of CSR and the expression of the latter mainly as a philanthropic activity. Along with that, the survey reported the absence of any documented or structured CSR strategy as well as any publication material among most of the enterprises interviewed, at the same time identifying time and resources costs as one of the primary barriers in the adoption of responsible business practices. It also highlighted that the terminology of CSR could not be appropriate to a Southern small business environment. From the response of one of the managers – according to which ‘corporate’ does not exist in Somalia – is in fact possible to deduce that the term ‘CSR’ does not result adequate to the Somali business context which adopts socially responsible practices within enterprises that can not be defined as ‘corporate’ or ‘corporations’, whereas the latter are meant as any collection of bodies.

On the other side, from an institutional perspective it has emerged a type of responsible business behavior deeply influenced by local institutional factors related to religion, culture, political and economic status. The Islamic religion in Somalia and the collectivist character of its society seem in fact to mold the philanthropic attitude of

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<sup>31</sup> This mainly refers to Zakāt which is one of the five pillars of Islam. It in fact consists in giving a fixed portion of one's wealth to charity, generally to the poor and needy.

SMEs behavior. The religious and cultural duty to help others and give back to the community in order to be rewarded spiritually thus impact on business choices and the way in which these are implemented. At the same time, the absence of significant economic and political institutions, first of all an effective government and written regulations, result to play a key role in hindering the promotion and support of an organized CSR policy and its larger comprehension and integration within the Somali business context. This largely confirms the theoretical position held by Campbell (2007) according to which enterprises are less likely to adopt socially responsible practices when they operate in a relatively unhealthy economic and political environment characterized by the absence of strong state regulations, private independent organizations or industrial associations. In this perspective, the Somali business environment seems not to receive the influence of global institutional pressure as the lack of national normative institutions hampers an effective integration and implementation of a CSR framework. In relation to that, the responses obtained from the survey suggest that the role of the clans - on which Somali society is founded - could be particularly important in welcoming and shaping the impact of trans-national institutional forces, facilitating the integration between local and global inputs whereas effective governmental structures are established.

In an overall perspective, therefore, the adoption of socially responsible practices in Somalia is currently based on the influence of religious and cultural factors in the absence of strong economic and political institutions which can foster its implementation beyond the philanthropic activity. It is consequently evident the relevance played by the local institutional structure which completely mold the CSR expression within the Somali small business context.

## 4. Conclusion

### 4.1 Review and Recommendations

The analysis carried out in this paper aimed to explore the links between corporate social responsibility (CSR) and small and medium-sized enterprises (SMEs) in a developing country context, namely Somalia. In particular, the main aim of the research was to identify the role and characteristics of responsible business practices in a Southern small business environment, focusing on the impact of national institutional structures.

In this perspective, the first part of the analysis was dedicated to provide a theoretical framework about the relationship between CSR and SMEs in developing countries. It was thus initially introduced the definition of CSR and SMEs as well as their importance in the process of economic development. That was subsequently followed by a literature review on the main features of socially responsible activities in Southern SMEs along with an analysis of the institutional theory and its main contents. This mainly aimed at highlight the importance of the institutional approach in relation to the adoption of responsible business activities in developing country contexts.

Based on such a theoretical framework, the second part of the analysis was devoted to empirically investigate the characteristics of CSR within Somali SMEs. To this end, the research findings carried out through a set of interviews were reported and discussed, after an initial presentation of the socio-economic context of Somalia.

The analysis of the findings has in particular shown that the implementation of responsible business practices within Somali SMEs is significantly influenced by local institutional factors such as religious and cultural values, economic and political status, consequently highlighting the importance to consider context-specific situations in the analysis of CSR related issues. It has moreover pointed out the potential inadequacy of the term 'CSR' in relation to Southern small businesses, significantly different from Northern enterprises.

Each of these aspects emphasizes, therefore, the presence of different types of socially responsible practices largely shaped by the path dependence of every country and their specific related contexts. In a broader perspective, this implies differences between industrialized countries and emerging economies as well as large and small and medium-sized firms whose CSR nature and attitudes need to find their own dimensions and reciprocal interaction. In particular, small firms in developing countries could

develop a form of social responsible behavior which is able to contribute to poverty reduction. Corporate social responsibility in Southern contexts would need, in fact, to sustain the employment provided by SMEs, supporting their relevance in terms of income generation and local resources. This could be fostered through the creation of clusters which enable enterprises to become more efficient and competitive along with the creation of multi-stakeholders or public-private partnerships and partnering along the supply chain. It remains however fundamental to strengthen national institutional drivers in developing countries so as to promote improved political and economic conditions, strong state regulations and normative CSR framework as well as an active civil society and market openness, at the same time addressing context-specific cultural and religious values towards more systematic and organized forms of responsible business practices.

## 4.2 Lessons Learned

From the study and analysis of CSR practices in a developing country context through structured questionnaires, some significant leanings for the future can be drawn up. First of all, the author recognizes that a greater time at disposal would have allowed to carry out more follow-up, interviewing a larger number of enterprises. In the second place, the analysis of questionnaires has shown that a short introduction on the role and meaning of institutional factors could have a more positive impact on the delivering of responses. Introducing how economic, political and social institutions influence the CSR evolution within a specific environment could, in fact, foster a greater involvement of the respondents on the issue. Similarly, the distinction between personal understanding of CSR and perception of CSR in the specific context of analysis – in this case Somalia – could result appropriate whereas the latter two do not coincide. Along with that and ultimately the author believes that the inputs obtained from this study can constitute the ground for a further and deepened analysis on the relationship between CSR and SMEs in the Somali business context. Against the backdrop of the new political situation in the country, it may be in fact interesting to analyze the role of the Government in promoting training, education and awareness in relation to socially responsible practices, consequently trying to explore if an effective CSR strategy can be implemented and how viable collective CSR action initiatives are. This might include a study of the impact of such actions as well as a more specific analysis of how Somali SMEs could effectively address the climate change challenge whereas the latter often does not represent a

priority in a developing country context but a current priority at the global level.

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## 5. Appendices

### 5.1 Appendix A: List of SMEs Analyzed in the Study

Company	Sub-sector <sup>32</sup>	Number of employees	Turnover	Markets	Respondent's position	Date
1	Manufacturing of software products	15	\$ 1000/yr	Local	Partner	July 27 2012
2	Aviation, fuel and logistics	150	Undisclosed	Local and National	Manager	July 31 2012
3	Construction	8	\$ 750,000/yr	Local, National, Export	Sourcing Officer (Partner)	August 1 2012
4	Construction	135	\$ 120,000/yr	Local	Manager	August 3 2012
5	Manufacturing of wet blue leather	40	N/A	Export	Manager	August 4 2012
6	Construction	75	N/A	Local	Owner	August 5 2012
7	Construction	38	Undisclosed	Local	Manager	August 7 2012
8	Manufacturing of medical drugs	15	\$ 800 daily sales	Local	Partner	August 10 2012

<sup>32</sup> The sub-sectors presented in the Table are reported as indicated by the respondents in the questionnaire. In relation to the International Standard Industrial Classification (ISIC Rev. 4), they correspond to the following sub-sectors: i) manufacturing of computer, electronic and optical products (company 1); ii) transport, storage and communication (company 2); construction (company 3, 4, 6, 7); iii) manufacturing of leather and related products (company 5); iv) manufacturing of pharmaceutical products (company 8).

5.2 Appendix B: Survey Roadmap

<u>I. Enterprise Information</u>				
1.	Name of Enterprise:			
2.	Location/Address:			
3.	Main Product(s):			
4.	Main Markets:	a. Local	b. National	c. Export
5.	Turnover/Revenue (size and/or amount):			
6.	Type of Organization:			
	a. Sole proprietorship	b. Limited company	c. Partnership	d. Family enterprise
	e. Other <i>(Please specify)</i>			
7.	Number of Employees:			

<u>II. Perception and Understanding of CSR</u>				
1.	What does Corporate Social Responsibility mean to you?  <i>Select the statement that match best.</i>	a. A monitoring system imposed from foreign companies		
		b. A set of Western-style standards		
		c. Guidelines for responsible governance, environmental and social issues		
		d. Systems of certification		
		e. Involvement with local community welfare		
		f. Charity actions		
		g. A new definition for what our business already does		
		h. Other		
2.	What is your level of understanding of this term?	a. High	b. Fairly Good	c. Low

<u>III. CSR Practices</u>			
1.	Does your enterprise engage in any activity related to the environmental protection (such as waste management; pollution prevention; water use efficiency; energy use optimization; recycling; refuse collection and disposal, etc.)?		
	a. Yes		b. No
2.	Does your enterprise adopt any labour welfare measure (such as ensuring occupational safety and health at work; promoting contractual transparency and bargaining power; implementing anti-discrimination policies and women empowerment, etc.)?		
	a. Yes		b. No
3.	Does your enterprise engage in training and development activities (such as promotion of training for staff; educational programs; provision of school and/or training centers for the community, etc.)?		
	a. Yes		b. No
4.	Does your enterprise promote health care related initiatives (such as health assistance; maternity aid; HIV training; provision of hospitals, medical care and treatment, etc.)?		
	a. Yes		b. No
5.	Does your enterprise engage in any charity activities (such as involvement with NGOs, religious groups, community as a whole etc.)?		
	a. Yes		b. No
6.	How these socially responsible activities are implemented in your enterprise? <i>Select statements that match best.</i>		
	a. Formally	b. Informally	c. Openly and Explicitly (through written policies or statements)
7.	Does your enterprise publish any report or information material on socially responsible practices?		
	a. Yes	b. No	c. Don't know

<u>IV. Drivers and Barriers of CSR Practices</u>	
1.	What are the primary drivers that determine the adoption of socially responsible practices in your enterprise? <i>Select statements that match best.</i>
	a. Stakeholders pressure (buyers, NGOs, government etc.)
	b. Financial and production efficiency gain
	c. Increase the enterprise's reputation
	d. Customer expectations
	e. Ties and integration with the local community
	f. Commitment to environmental sustainability
g. Worker security and health	
h. Ethical and personal values	
i. Religious and cultural beliefs	
j. Other (Please explain)	
2.	What are the main barriers that hinder the adoption of socially responsible practices in your enterprise? <i>Select statements that match best.</i>
	a. Time and resource costs
	b. Monitoring and auditing costs
	c. Complex procedures of measurement and reporting
	d. Lack of know-how and expertise
	e. Lack of efficient institutions to assist and implement
	f. Low return on investment
g. No visible gain	
h. Perceptions about the issue as not important	
i. Lack of understanding of the issue and its possible benefits	
j. Other (Please explain)	

<u>V. Institutional Impact on CSR Practices</u>			
1.	Is the engagement of your enterprise in socially responsible practices influenced by specific local institutional factors?		
	a. Yes	b. No	
2.	If yes, what are these factors? <i>Select statements that match best.</i>		
	a. Religious beliefs	b. Cultural traditions	c. Societal values
	d. State of economy	e. State regulations	f. Academia
	g. NGOs, social movement organizations, press etc.	h. Legal system	i. Clan membership
	j. Other ( <i>Please explain</i> )		
3.	Do they reflect peculiarities in the Somali context (such as the legal <i>Xeer</i> system) that is necessary to account for?		
	a. No	b. Yes ( <i>Please explain, providing examples</i> )	
4.	If yes, how the peculiarities in the Somali context and related institutional factors (religious beliefs, cultural traditions, societal values etc.) shape the expression of socially and environmentally responsible behavior in your enterprise? <i>Please explain, considering both a positive and/or negative influence.</i>		
5.	Are there specific opportunities and/or constraints in the Somali institutional context that, in your opinion, will affect the evolution of socially responsible practices in SMEs?		
	a. No	b. Yes ( <i>Please explain, providing examples</i> )	

<u>VI. Respondent Information</u>				
1.	Name of Respondent:			
2.	Age of Respondent:			
3.	Respondent's Position:			
	Owner	Partner	Manager	Accountant