

CORPORATE SOCIAL RESPONSIBILITY IN THE EU REGULATION*

— WITH SPECIAL FOCUS ON THE SMES

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Introduction

Corporate social responsibility (CSR) dates back some decades, but instead of being more clear, the term has become more and more complex over the years. Scholars, decision-makers, and practitioners could be confused about this phenomenon while doing research or doing socially responsible activities. One of the biggest problems is that there is no generalized definition or approach to the term (Sarkar–Searcy 2016). Its interpretation depends on several facts and it may differ between continents and even countries. Therefore, it is crucial to get familiar with different approaches to be able to apply such CSR activities which could comply with local, national, and even global aspects.

The goal of this paper is to provide information about how CSR is clarified in the European Union. Based on EU documents and literature I indicate the milestones in EU regulation. Now it is clear that the history of CSR is different in the USA and Europe which results in a slightly different explanation of the CSR. Nowadays we are living in a globalized world where relations between actors are very complex. It is obvious that CSR is part of business life but its application depends on several factors. Understanding the EU concept is crucial both at national and international levels as it has an effect on business and society all over the world. CSR dates back to the beginning of the 1950s, but in Europe a common debate and consideration about it four decades later. A lot of effort has been made during these years to have guidelines, and directives which can be a framework for European actors.



There are papers both at the international level (Martinuzzi et al. 2012; Camilleri 2015; 2017; Evangelos 2018; Kun–ter Haar 2019; Agudelo et al. 2019) and in Hungary (Novotny 2008; Csáfor 2009; Kun 2012; Balogh et al. 2014; Veres 2017; Boros et al. 2022) about EU regulation on CSR and related topics. My paper provides a summary of the milestones of EU regulation introducing the current issues as well, and presents information about the SMEs' CSR concept at the EU level. Today it is clear that not only big companies can relate to CSR, but international research began about this topic around the turn of the millennium. It seems to be significant that the EU recognized its importance and from their first document on CSR, it notes that also SMEs can implement CSR. Literature does not refer to this topic often, so I would like to add to the literature not only by providing information for more than two decades of EU regulation milestones but about the EU approaches to SMEs' CSR, as well. At the end of my paper, I present some information about my interview research with SMEs in Győr, Hungary about CSR. I collected features about SMEs' CSR based on the EU documents and I compared my results with them.

My paper provides information for also practitioners in business and social life and researchers with a summary of the EU-level mindset about CSR and the relevance of SMEs about the topic. This knowledge could be beneficial not only for companies but also for civil society as they are aware of how companies can relate to them in the European context.

Corporate Social Responsibility (CSR) – The size matters

As I described in the Introduction it is a challenge to define CSR because there are several approaches in practical and academic life, as well. The term dates back to Bowen (1953) and is related to the approach that companies are not only part of their economy but also their social environment (Radácsi 2021). Therefore, they have to take into consideration also economic, social, and environmental factors. Carroll (1979, 1991) in his pyramid model describes economic, legal, ethical, and philanthropic responsibility, while Garriga–Malé (2004) mention economic, social, and environmental responsibility as a part of CSR. Based on these approaches it is clear that CSR is a new way of thinking about how companies can operate beyond their profit aims with such kind of new activities which are not directly related to their core ones.

Today it is also widely accepted that CSR is not a voluntary activity, because self-interest could be part of it (Csonka et al. 2013), which could contribute to the increase of the firm competitiveness (Carroll, 2021). Moreover, the responsible approach could be overwhelmed by the operation of the companies (Rasche et al. 2017). Carroll (2018) draws attention that nowadays CSR could be interpreted in a wider context as it is related to the business-society relation. This approach covers all of the activities through which companies could have an impact on society.



Basically CSR is related to large companies, the word corporate also refers to it (Carroll–Sabana 2010). Large companies have such a big impact on their environment (economic and social), which needs a response – this recognition was the basic idea of CSR. However, today it is obvious that also smaller companies can implement CSR (Spence 1999; Jenkins 2004). Large and smaller companies have big differences, so this fact appears in their CSR practice as well (Jenkins 2004; Málóvics 2009b; Szennay 2018). Until the turn of the millennium large companies were the focus of the academic CSR research. From the 2000s research started to reveal whether the CSR concept in smaller companies is relevant. In the beginning, the focus was on the differences between large and smaller companies' CSR (Spence 1999; Jenkins 2004), later also empirical research contributed to the debate on CSR and firm size (Csillag 2008; Tantalo et al. 2012; Tomšič et al. 2015). The most often mentioned differences are as follows (Jenkins 2004; 2006; Spence 1999; Málóvics 2009a; 2009b; Rasche et al. 2017): smaller companies' CSR is often informal, it is often based on the owner-manager attitude and the motivation is rather helping others than increasing profit.

Milestones in the EU-CSR regulation – with special focus on the SMEs

The beginnings

While analysing different CSR approaches it can be seen that there are some differences between the interpretation of the term in the USA and Europe. The concept of CSR originated in the USA, in 1953 Bowen published the idea about businessman's social responsibility, later Davis (1960: 70) described the term as "... businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest." Over the next decades Carroll was one of the main researchers who formed theories about CSR and – as I already mentioned – he created his CSR pyramid model which is based on the idea that companies can be socially responsible on different levels: the basic responsibility is when companies behave economically responsible, the other levels – being legal, ethical and philanthropic – are built on this. In my previous paper (Reisinger 2023a) I suggested dividing this approach into two parts. The first three levels are more related to the responsible operation of firms (daily business operation), whilst the fourth one means activities that are directly in favor of society; companies understand their social environment and react to social problems (Porter–Kramer 2011).

The relevance of the division comes with the fact that there are differences between European and American CSR. Bowen, Davies, Carroll, and others over the decades in the 20th century represented the American approach. So when we read papers about CSR from these decades they describe the American perspective. There was a different environment in Europe over these decades thanks to the welfare actions and the diverse social and economic circumstances, and until the



1990s EU was not aware of the importance of CSR (Csáfor 2009). The communication about CSR in the EU began at the beginning of the '90s. It was crucial when the president of the European Commission, Jacques Delors asked large companies to participate in solving social problems (fighting against poverty and exclusion) in 1993 (Kun 2012). This was the starting point of common thinking about CSR. The idea of common regulation was revealed after the turn of the millennium.

During the 2000s

The very first step in the EU CSR regulation was the European Commission's Green Paper (*Green Paper – Promoting a European Framework for Corporate Social Responsibility*) in 2001 (EC 2001), which aimed to launch a wide debate on CSR and to define the role of the EU in contributing to the promotion of CSR at international and national levels. The document describes CSR as a response to social, economic, and environmental pressure on companies. The Paper reinforces that profit is the first for companies but they can also contribute to social and environmental objectives with their CSR activities. The document describes CSR as "a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment." (EC 2001: 4) At this time CSR was interpreted as a voluntary action like in the USA (Yıldız–Ozerim 2014), however, this view changed later.

The Green Paper confirms my suggestion to divide Carroll's approach (pyramid model) into two parts because it conveys that "being socially responsible means not only fulfilling legal expectations but also going beyond compliance and investing "more" into human capital, the environment and the relations with stakeholders." (EC 2001: 6) This approach says that CSR is more a philanthropic activity than just being responsible with the business. The document also provides information about CSR activity types which could be a good summary for firms that are seeking ideas on how to implement CSR.

The document relates CSR to large companies, but it also emphasizes that CSR can exist in all types of firms, so not only large but also smaller companies (SMEs) can implement it. This approach is quite interesting because research about SMEs began merely around the turn of the millennium (Jenkins 2004), but this document in 2001 already provided a message that CSR is not just for large companies. Although this document does not provide details about this idea but serves as a base for SMEs' CSR.

The first official definition was published in the first EU CSR strategy (*A business contribution to sustainable development*) in 2002 (EC 2002a). It starts from the approach of the Green Paper (EC 2002: 5): "CSR is a concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders voluntarily." The document considers CSR also as a voluntary action. The document provides a slightly different approach to the operation of the firms as it introduces the idea that "the main function of an enterprise is to create value..."



Companies can achieve value by maximizing profit and realizing responsible behavior. This attitude can contribute also to sustainable development, as CSR is linked to sustainability in this paper.

The European Commission created seven CSR strategy areas of which one is for SMEs, thus SMEs' CSR appears at a strategic level in the document. It seems to be significant; while SMEs CSR appeared in academic life after 2000, at the EU level – although the introduction of the concept started in the '90s – there was a strategic mindset about SMEs' CSR already in 2002. As I mentioned research has only begun during these years in academic life about the essence of SMEs' CSR, while at the same time in the EU specific characteristics were provided about the topic mainly based on research among SMEs about their social and environmental responsibility in 2001 (EC 2002b). 7,662 companies were asked in a questionnaire research about their CSR activities. One of the most important results was that "half of the European SMEs are involved, to different degrees, in external socially responsible activities. An enterprise size perspective shows that this involvement is positively related to the size of enterprises." (EC 2002: 17) As a result smaller companies may also be familiar with CSR, but bigger ones are more involved in this field.

Both the research and the results were unique in 2002 since even today there are many gaps in SMEs' CSR research². Using these results as well, the EU formulated the SMEs' CSR strategy in six points and described the SMEs' CSR characteristics (EC 2002: 11): "Because of their lower complexity and the strong role of the owner, SMEs often manage their societal impact more intuitively and informally than large companies. Many SMEs are already implementing socially and environmentally responsible practices without being familiar with the CSR concept or communicating their activities."

The document also highlights that CSR is not only good for companies and society but also could contribute to EU policies and sustainable development. To achieve these goals, the European Commission promoted integration of CSR principles into EU policies.

The Commission in its next document (*Implementing the partnership for growth and jobs: Making Europe a Pole of Excellence in Corporate Social Responsibility*) concentrated on "to give greater political visibility to CSR, to acknowledge what European enterprises already do in this field and to encourage them to do more." (EC 2006: 2) The role of the CSR is to support sustainable growth and to help creating "more and better jobs" (EC 2006: 3). The document proposed actions for developing CSR, one of them also highlight the role of SMEs (EC 2006: 8): "The Commission recognizes that a specific approach is needed to foster CSR amongst SMEs. Such an approach requires giving greater recognition to what many SMEs already do in the field of CSR. It also requires the active cooperation of mainstream SME intermediary organizations and support providers. The Commission will facilitate the exchange of experience about how best to encourage CSR amongst SMEs in Europe."

In 2007 the European Parliament published a resolution about CSR as a response to previous European Commission papers (*Corporate Social Responsibility. European Parliament resolution of 13 March 2007 on corporate social responsibility: a new partnership (2006/2133(INI))*). The European Parliament reflects on the voluntary principle (EP 2007: C 301 E/49): „Recognises the Commission definition that CSR is the voluntary integration of environmental and social considerations into business operations, over and above legal requirements and contractual obligations; believes that CSR policies should be promoted on their own merits and should represent neither a substitute for appropriate regulation in relevant fields nor a covert approach to introducing such legislation.” The document pushed a higher level of coordination at the EU level and a more decisive regulation of CSR. The new strategy in 2011 was already closer to these approaches, the next subsection introduces this document.

A renewed strategy in 2011

2011 was a turning point in the CSR regulation. The European Commission published its new CSR strategy (*A renewed EU strategy 2011–14 for Corporate Social Responsibility*) providing a different approach (EC 2011). First of all, the Commission suggested a new definition for CSR which does not highlight that CSR is an activity beyond profit maximization, but gives a wider approach (EC 2011: 6): “the responsibility of enterprises for their impacts on society.” Social impact is the focus of this definition, which means that companies have to take care about their decisions which are made in favor the society. This concept accepts the idea that companies have actions that may have an impact on society and being responsible for it becomes part of firms’ operation (Martinuzzi et al. 2012). It is also new in this approach that CSR is no longer voluntary, this definition made CSR objective (Balogh et al. 2014) and the strategy anticipated a more regulated CSR at the EU level, although remaining soft law (Kun 2012).

However, it is clear from previous documents that also SMEs can implement CSR, it is often referred to this document in the literature as the first one that details this fact. As I showed in the previous section SMEs’ CSR was an active topic already during the ‘2000s, this strategy only mentions it again and highlights that SMEs’ CSR (especially micro firms) “is likely to remain informal and intuitive.” (EC 2011: 6) With this idea it became clear that SMEs are not small version of big companies, so they cannot behave as big ones, so they need new approaches for CSR. To be able to activate more SMEs with CSR, the EU could help them with guidance and more clear legislation (Kun 2012).

The previous strategy (2002) was the first where the value concept appeared. The new strategy follows the idea of shared value. This idea is similar but not the same as Porter and Kramer’s (2006; 2011) Creating Shared Value (CSV) concept.



While the EU strategy in 2002 described value as a result of the firm operation, the new strategy reported about “maximizing the creation of shared value for their owners/shareholders and their other stakeholders and society at large.” (EC 2011: 6) Porter and Kramer’s approach which was first mentioned in 2006 is a little bit different, it relates to the fact that the society needs companies and companies need the society. So CSV is not a donation or any type of philanthropy, but a new way of management style for companies to do good both for society and the companies to increase profit. Even though the interpretation of the value is slightly different in the new strategy it is common, that both describe the firm’s operation as value creation.

After the renewed strategy

During the ‘2000s the focus was on determining the key points of the CSR at the EU level and launching new initiatives which can contribute to a more active CSR. Because CSR appeared in the EU shortly before the turn of the millennium, around a decade the EU, mainly the European Commission evolved a complex regulation and framework for CSR. By the beginning of the 2010s, it became clear that CSR is a complex term that is not voluntary for companies, it may contribute to firm competitiveness, European goals, and sustainable development and is not only for big companies. Based on these approaches the CSR regulation after the new strategy focused more on sustainability and accountability.

The European Parliament published a Report (*Report on Corporate Social Responsibility: Promoting Society’s Interests and a Route to Sustainable and Inclusive Recovery*) in 2013 (EP 2013a), which strengthens the role of CSR in the EU further and stresses that CSR may increase trust and social acceptance. The paper also reinforces that all types of companies can implement CSR activities, and encourages SMEs to take part in the CSR debate at the EU level and to focus more on their strategic role to be able to develop CSR. It is also crucial to meet SMEs’ CSR practices and to learn from these activities. The same year the European Parliament (EP 2013b) published another report about CSR (*European Parliament resolution on corporate social responsibility: accountable, transparent and responsible business behavior and sustainable growth (2012/2098(INI))*), in which it also stresses the importance of involving SMEs in CSR. EP calls on the European Commission and other organizations related to SMEs to have as much information about SMEs’ CSR as they can help these companies implement CSR practices.

Besides the regulation at the EU level, it was also crucial to be up to date with the national practices and regulations in the EU. Several studies were published about it (Habisch et al. eds. 2005; Business Support Programme 2008; CSR Europe 2010; Martinuzzi et al. 2012). A study with a comprehensive overview was published based on a peer review of CSR among EU members in 2013 and 2014 (*Corporate Social Responsibility National Public Policies in the European Union Compendium 2014*) (Williamson et al. 2014).



“This Compendium brings together the most up-to-date information arising from country presentations and discussions at the Peer Reviews, as well as from existing National Action Plans on CSR and Business and Human Rights.” (Williamson et al. 2014: 8) The document provides information about CSR at the global, EU, and international levels; reporting, sustainability, and SMEs’ CSR and ends with detailed information about CSR in all member states. The paper also highlights the role of SMEs in implementing CSR, but also mentions that several barriers make it more difficult to be familiar with CSR (Williamson et al. 2014: 23):

- “Owner/manager/stakeholder engagement;
- Lack of understanding of CSR;
- Perception of costs of implementing CSR;
- Lack of training or resources to implement CSR; and, in some cases;
- Implementation of CSR but lack of recognition or reporting.”

Despite the many barriers SMEs can react more quickly to regulations and changes thanks to their smaller management system, so they can adapt more flexible new CSR techniques. The study underlines that training is very useful for SMEs to get more familiar with the topic and a lot of EU countries launched already programs for them to foster the implementation of CSR in SMEs.

One of the newest research about SMEs’ CSR was in 2021 (EC 2021a). Around 850 companies were asked in questionnaire research in 18 European countries about their CSR activities. Based on the results the document collected recommendations for the European Commission, national authorities, business support organizations, and associations. The paper provides also detailed information about the countries involved in the research.

Reporting and measurement of firms’ performance are crucial points in the economy and society, as well. Along with financial reporting the non-financial reporting became also a decisive topic both globally and at the European level. A big milestone was a new regulation in 2014 related to non-financial reporting³ (*Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups*). „To enhance the consistency and comparability of non-financial information disclosed throughout the Union, certain large undertakings should prepare a non-financial statement containing information relating to at least environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters. [...] Member States should ensure that adequate and effective means exist to guarantee disclosure of non-financial information by undertakings in compliance with this Directive.” (EP 2014: L 330/2) The directive can ensure “greater business transparency and accountability on social and environmental issues.” (CSR Europe and GRI 2017: 5) Based on the directive particular public-interest companies with more than 500 employees (approx. 10,000 companies) have to publish also a non-financial statement from 2018 with environmental, social, and human rights topics. In this document, sustainability is not yet a core topic. Later, in 2017, the European Com-



mission published a guideline about non-financial reporting to help companies with specific information (*Communication from the Commission – Guidelines on non-financial reporting*) (EC 2017).

At the beginning of 2023 a new directive (*Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting*)⁴ came into force which modified the NFRD and launched a directive called CSRD⁵ which has a greater focus on sustainability and modified requirements for companies which need to report⁶. More companies are concerned about reporting and also the ESG⁷ factors are more integrated into the reports. “This new directive modernizes and strengthens the rules concerning the social and environmental information that companies have to report. A broader set of large companies, as well as listed SMEs, will now be required to report on sustainability – approximately 50,000 companies in total.”⁸

At first, member states have to make regulations about it then concerned organisations have to apply it from 2024 as a schedule detailed in the document. Until this regulation SMEs were not concerned about it but from 2026 also listed SMEs have to report.

The main idea behind this approach is that it is not enough to be responsible and sustainable, it is also important to present it. However, to be able to show it, organizations need data that they can analyze and report. It is a challenge also for big companies, so for SMEs that are concerned it will be probably a bigger effort to be able to measure their social and environmental activities which is not typical today (Radácsi 2021).

The sense of EU-level regulation

As it can be seen in the previous section the history of CSR is slightly different in Europe than in the USA. It is crucial to be aware of the fact when we read papers about CSR from the '50s until the '90s they are referred mainly to the American CSR. The history of the European CSR began in the '90s. Because of the different social and economic environments, CSR in Europe has different faces. The difference is not only significant in USA–EU relations but also between European countries; the reasons could be as follows (Yıldız–Ozerim, 2014; Taliouris 2018):

- EU integrates countries with different social, economic, and historical backgrounds and traditions which results in a different approach, understanding, and implementation of CSR.
- There are different governance systems.
- Moreover, there are no generalized CSR definitions. Carroll and other American researchers have a slightly different approach to CSR than we have in Europe. Carroll's model (1979, 1991) describes CSR as an economic, legal, ethical, and philanthropic responsibility, while the European approach is rather related to the



social impact of the firms⁹. Because of the different historical backgrounds, it could be difficult to create a generalized definition, but its lack affects also European companies even though the well-developed EU regulation.

- There are different approaches to CSR in EU countries.
- There are different relation structures between companies and other sectors.

These facts alone could be enough to be complicated to implement a common CSR approach at the EU level, and over the two decades several triggering occasions created such conditions in Europe which made this process more difficult (Yıldız–Ozerim, 2014, Taliouris 2018):

- The constantly changing economy.
- EU enlargement which resulted in a more complex integration with new economies, and new problems, which generated a new way of CSR thinking.
- Economic and financial crises which weakened the welfare system in Europe.
- The COVID–19 pandemic rewrote humans’ lives completely.
- Decreasing trust in the economy and the society because of crises.

The question is arising, if CSR is different in each country, is there any sense to develop an EU-level regulation? It is obvious that CSR comes from the USA, but European practitioners and academics recognized that the European context is different somehow so CSR needs a different approach. Essentially CSR is the case of companies, they can decide on what to do and how, but as it was revealed that CSR is more than just an own issue, it may contribute to firms’ competitiveness (Tantalo et al. 2012), it can create a value for the companies and also in the economy and society, it can contribute national and international goals. As we accept these facts it can be seen that CSR is more than just a management decision about how to be more responsible. Companies affect everything around them, so every decision has a social and economic impact. It means that being responsible should not just be an isolated framework but a part of the operation of the companies. If we see this term from this point of view, CSR will be the issue of local, national, and also international policies.

The EU recognized this when socially responsible thinking started in Europe. The European Commission and other institutions figured out that CSR can be a part of business life in a short time if the debate about it begins right after the recognition of the importance of the framework. The EU made prompt steps to elaborate a strategy at the EU level, to draw up its definition,¹⁰ and to develop a common approach to CSR. At first EU supposed CSR as a voluntary term but later in the renewed strategy in 2011 CSR was described as a framework that could be linked to legislation in certain cases.

Based on the EU documents and literature I believe that having an approach to CSR at the EU level transmits the message to companies and national authorities that CSR is an important framework for achieving European goals and also promoting a more resilient and sustainable economy and society.




The EU institutions, mainly the European Commission do not intend to tell companies what to do but attempt

- to provide guidelines for understanding what CSR is;
- to explain how many faces CSR could have;
- to provide information about international CSR trends;
- to try to help companies to find their methods to be able to be more responsible;
- to draw attention to the importance of socially responsible behavior;
- to provide a framework how for understanding reporting and measurement of socially responsible behavior;
- to make clear how sustainability can relate to CSR;
- to highlight that all types of companies can relate to CSR.

The last point means on the one hand that despite CSR being linked mostly to big companies smaller ones can be familiar with CSR in some way, on the other hand, the activity, the ownership, and the location can be also diverse. Research on SMEs' CSR began around 2000 and even today there are gaps in the topic. European Commission published a paper already in 2001 which named SMEs as potential actors who can be active in the field of CSR. It seems to be significant that later the Commission and other EU institutions in their papers drew this fact. I believe that this is an important milestone in CSR history globally because this approach involves a big part of the business sector in the CSR debate and practice. The European Commission and other institutions not only provide information about CSR generally but also serve specific ideas and examples based on research and national best practices. This is the reason why I believe that the European common debate and communication can help SMEs to develop their CSR practice and to begin to think about its importance. Of course, EU papers and directives may be supportive to SMEs when they are familiar with these documents. Therefore, I believe that research and studies about SMEs' CSR at international, European, and national levels are crucial to familiarise SMEs with the essence of CSR. Guidelines, good practices, and suggestions could be crucial for them and these documents also can make known the term for these companies.

Life changed a lot over the past decades which affected the mindset about CSR which led to a more complex approach. EU legislation with these circumstances senses that documents, papers, and directives can contribute to developing a Europe where being socially responsible is part of the business life which covers "human rights, labor, and employment practices, environmental issues." (EC 2011: 7) Even there are several facts which make it difficult to create a common framework for CSR, the European regulation practice proved that it can contribute to support companies to be able more conscious about their future and social impact.



CSR in Hungary – short overview

The communication about CSR in Europe began at the beginning of the '90s, but in Hungary the regime change and the economic and social crises after it delayed the spread of the sense of CSR (Győri 2010). Segal et al. (2003: 62–63) provided a detailed description of how the CSR developed in Hungary, they wrote that “the serious economic crisis that accompanied the transformation in the CEE countries during the early '90s was not favorable to social, community or human investments on company level [...] and at the same time those foreign investors (and privatizing actors) who were seeking low-cost economies were also less committed to the corporate social responsibility approach.”

There was a change in the mid-'90s in CSR, at that time the economic actor experienced a more stabilized economy, and companies (mainly big ones) began to implement a socially responsible approach to the operation mainly based on the initiatives of foreign investors. It means that during these years, firms began to follow the practice of mother companies. However, the motivation was different at the beginning (Győri 2010), as not the stakeholders or the customers but the leaders of the companies were the drive of the implementation of CSR. CSR has become more and more familiar with companies but still today it is rather related to big companies than smaller ones (Radácsi 2021).

Segal et al. (2003) described CSR as a process, which means that countries and companies have to go through a development process and as countries' economies and societies differ their CSR is also diverse. As Hungary is a member state of the EU all European papers, guidelines, and reports could be relevant for all types of companies. There has been more and more research about SMEs' CSR in the past few years at the international and also European levels, which could be a motivation for the national surveys as well (e.g. Csillag 2008; Málovics 2009b; Benedek–Takácsné 2016; Győri et al. 2024).

The European Commission highlighted already in 2002 that SMEs' role in implementing CSR is crucial as well, so analyzing them is essential. Being socially responsible is rather a general expectation (Rasche et al. 2017) than just an isolated issue of firms. Nowadays CSR is mainly linked to sustainability as well, so CSRD and ESG reporting becomes more and more actual not only for big companies but also for SMEs increasingly. SMEs' CSR differs from big companies' practice – this is the basic idea of the EU-related SMEs CSR, so it is significant also for Hungary to know how SMEs implement CSR and how they differ from big companies. This information can be helpful also for researchers as they are more familiar with these companies. In the next part, I introduce some results of my research among SMEs to know how they can be characterized by the SMEs' CSR features based on EU documents.



Reflection on my interview research with SMEs in Győr

It is often written in both EU papers and literature that SMEs do socially responsible actions without knowing exactly what they are doing in CSR. Researching SMEs' CSR is not a new topic today but still have several areas to discover. Even though the European viewpoint is clear about SMEs' CSR, there is still a lot to do to involve SMEs in implementing CSR but the EU must be open to support SMEs in this process. Therefore, researching this topic could be crucial not just for academics but also for companies and civil society. Being aware of the local and national practices can also contribute to being able to more familiar with the topic.

In 2021–2022 an interview research was carried out in Győr, Hungary with 50 small- and medium-sized companies¹¹ about the business-society relations concerned also the topic of CSR. There were two main selection criteria: 1) The headquarter is in Győr. 2) The size based on the number of employees is small or medium. There were about 600 SMEs in Győr in 2021 based on the OPTEN database, I used this source to find 50 firms that are willing to take part in the research. Owner-managers and owners were asked among others about their awareness and approach to socially responsible activities. The research was conducted to have more information about SMEs' CSR in Hungary in a city where the economic and social environment is very supportive and there are several companies with significant CSR good practices. *Table 1.* shows the characteristics of the sample.

Table 1. Characteristics of the sample, n = 50

Firm size	
Small	39
Medium	11
Year of establishment	
Before 2000	29
2000 or later	21
Legal form	
Ltd	46
Plc	4
Sector	
Industry	26
Service	23
Agriculture	1

Source: Compiled by the author based on the interview research.

Forty-seven companies did such kind of activities that can be related to CSR, two companies' leaders said that they were not interested in it and one manager would be open to CSR but their parent company does not let to do it. Of the 47 companies, 33 have ever heard the term CSR but only 25 use it. So there are a lot of companies that do CSR without labelling their activities. Medium-sized companies use the term more often. For companies, the most important social responsibility is to be able to give good salaries to the employees and to care about them as they feel that they are responsible not just for the employees but also for their families. For most companies, CSR means philanthropic activity in various ways, only a few of them are engaged in local social activities or share their ideas about local and current issues (Reisinger 2023a).

I was curious how SMEs' CSR features in EU documents relate to the companies in my sample¹². Results can be found in *Table 2*.

Table 2. SMEs' CSR features in EU documents and my interview research, n = 47

SMEs' CSR features based on EU documents	Results in my research related to the features
Strong role of the owner.	All companies that do CSR in some way do it because of the open and positive attitude of the owners/managers.
The owners' engagement is crucial.	In all companies, the owners/owner-managers decide about CSR.
Intuitive and informal management of societal impact.	On one hand, most companies do not feel that they have a significant impact on society despite they do some CSR activities. On the other hand, their CSR activity is often informal and there are no strategies or plans behind them.
They are not familiar with CSR – lack of understanding.	As I described above about half of my sample do not use the term CSR but they do some activities which is related to it.
Lack of resources for CSR.	This fact is not easy to examine; it is obvious that smaller companies have fewer resources but I believe that there is no sense in comparing them with big companies because their entire operation is based on totally different backgrounds so their opportunities are also different.
They do not communicate their CSR activities.	I found that there are two parts to companies: 1) For them CSR activities and communication are crucial. They believe presenting CSR activities is part of their operation which can initiate new business relations. 2) For them CSR is a charitable action, so communication is not relevant for them, they have no intention of boasting about it, they just would like to help the society.
Lack of reporting.	Neither strategy-making nor reporting is important for companies. Many believe that they are too small to be concerned about these actions. None of the companies have a strategy about their socially responsible activity, they do not believe that it is important at their level.

Source: Based on EC 2002a; 2011; Williamson et al. 2014.



As *Table 2.* shows my research results relate to the SMEs' CSR features described in EU documents, I would like to add one more factor; all companies' CSR activities are local, they believe that supporting their local environment could result in a more prosperous local economy and society which may contribute their business life.

I confirmed that SMEs' CSR is an informal activity which often practiced without labeling it with any framework. How can EU guidelines help SMEs in developing CSR? I find it crucial that the EU has been considering SMEs' CSR significant for more than two decades, so more and more companies can be involved in the debate. This approach also raises the awareness of national authorities to put SMEs into focus on social impacts and socially responsible behavior. Several SMEs are familiar with neither the term nor the sense of the activity. So there is a lot to do but companies that are related to CSR in some way can use guidelines and good practices to be more active in this topic. Nowadays CSR means a very complex framework that is related to sustainability and accountability as well, the future is more prosperous for companies who are aware of their social role and social impact, too.

Summary

The paper aimed to provide information about the milestones in the CSR regulation at the EU level with a special focus on the SMEs' CSR. I used EU documents and international and Hungarian papers to introduce the topic. In Europe in contrast with the USA CSR appeared in the 1990s, however since then EU institutions mainly the European Commission have been publishing guidelines and directives about CSR.

The attitude to CSR changed over the two decades. During the 2000s CSR was voluntary, while the CSR strategy in 2011 described CSR as an activity that is expected from certain companies. The European approach is that sustainability and CSR cannot be separated and after 2011 sustainability got a bigger emphasis as it was realised that this concept is significant in business life. Besides sustainability, accountability and reporting have become a crucial topic in the past decade, the NFRD and CSRD regulated and regulated the non-financial reporting of mainly big companies, but in a few years listed SMEs have to report.

Involving SMEs in the debate and regulation of CSR is not new at the EU level. It seems to be significant that at the same time starting research about SMEs' CSR around 2000, the European Commission pointed out that CSR is not only an issue of big companies, but also smaller companies can contribute to it. Over the past two decades this idea was constantly in focus, in 2002 the European Commission drew up the topic to the strategic level. I provided detailed information about how CSR appeared in EU documents and also presented some information about my interview research with 50 SMEs in Győr, Hungary in 2021–2022 about their social role including CSR. Except for the lack of communication, all SMEs' CSR features

are typical for my sample. It means that companies in Győr do not differ from other European SMEs regarding CSR activities, so European guidelines could be a proper guide for them to be more active or to be more familiar with the topic. The European approach can strengthen the idea that SMEs are not too small to care about such kinds of activities.

In conclusion, if companies of any size are more aware of CSR at the EU level as well, they will be able to be more conscious about social activities and social roles and they can also contribute to European strategies at a higher level.

Although SMEs are “small” no one expects them to behave like the big ones, but rather to find their uniqueness, and by communicating they could be good examples for each other. It does not matter who is more responsible or greener, it is crucial to what they can do in favor of a more resilient and sustainable environment and to be able to provide local or regional well-being and welfare realizing CSR as part of their operation and not as an extra activity.

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Notes

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 EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.” (EC 2003b, L 124/39)

² Moreover, the European Commission (EC 2003a) published a document about small and medium sized enterprises' responsible entrepreneurship practice in 2003 (Responsible entrepreneurship: A collection of good practice cases among small and medium sized enterprises across Europe).

³ NFRD – Non-Financial Reporting Directive

⁴ Before it came into force a proposal was published in 2021 (EC 2021b): DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting

⁵ CSRD - Corporate Sustainability Reporting Directive

⁶ Farkas and Matolay (2024) give an overview about the CSRD with a strategic focus. Győri and Szigeti (2023) introduces the challenge of CSRD.

⁷ ESG – environmental, social, governance

⁸ https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en

⁹ Moreover, Argandona and von Weltzien Hoivik (2009) wrote that Carroll's typology does not describe the CSR as a whole.

¹⁰ Taliouris (2018) think that a European definition was a significant step but because of the diversity of the EU it cannot be used as a general approach

¹¹ I did not ask micro enterprises even so in this subsection I use the abbreviation SMEs.

¹² In my previous paper (Reisinger 2023b) I made an analyses about three companies from my sample as a preliminary introduction of the topic.