Human resources management in responsible small businesses: why, how and for what?

Silvia Cantele*

Department of Business Administration,
University of Verona,
Via Cantarane, 24,
37129, Verona, Italy
Email: silvia.cantele@univr.it

Abstract: Corporate social responsibility pushes firms to be accountable for their effects on society and the environment, and to be responsive to all groups of stakeholders. The literature has pointed out the unique approach of small firms to social responsibility and human resources, which are considered the most important stakeholder group in this kind of business. This study is aimed at deepening our understanding of relationships between the motivation behind a socially responsible approach, the practices towards employees and the perceived benefits, in the context of Italian small businesses. The analysis of conducted interviews highlights that small businesses consider employee satisfaction and commitment a priority. Despite what is shown in the literature, they do not avoid implementing formal tools to manage and communicate their ethical approach to human resources management and are completely aware of the strategic relevance of engaging with employees in order to gain firm excellence.

Keywords: corporate social responsibility; employee satisfaction; organisational commitment; small and medium enterprises; Italy; sustainability; human resources management; small businesses; SMEs.

Reference to this paper should be made as follows: Cantele, S. (2018) ‘Human resources management in responsible small businesses: why, how and for what?’, Int. J. Human Resources Development and Management, Vol. 18, Nos. 1/2, pp.112–126.

Biographical notes: Silvia Cantele is a PhD and Associate Professor at the University of Verona, Department of Business Administration, where she teaches corporate sustainability and accountability and management control. Her present research interests concern the determinants of firms’ performance, with particular reference to small businesses and their strategies of inter-firm cooperation, internationalisation and sustainability management. She has several publications on business networks, corporate sustainability management and reporting, accounting and performance measurement systems.

1 Introduction

The social responsibility of business has long been the subject of debate, with different perspectives emerging from the diverse stream of literature dedicated to this relevant issue (Dahlsrud, 2008; Frederick, 1994). The underlying concept is that firms should be
Human resources management in responsible small businesses

Employees play a crucial role in businesses, as they are stakeholders of the firm because they confer one of the most relevant resources – human capital – but they are also part of the organisational structure, and consequently the means by which the firm operates in fulfilling its tasks and enters into relationships with all the other important stakeholders.

The literature on corporate social responsibility (CSR) often analyses the approach of large or multinational firms (Pedersen, 2010, 2011; Richter, 2011), with the notion that the most significant social and environmental impacts stem from these kinds of corporations. However, small and medium enterprises (SMEs) are the prevailing form of business in Europe, where more than 99% of all companies are considered small (European Commission, 2016). This indicates that the social and environmental impacts of small businesses have to be considered within a holistic approach to sustainable development.

The literature on CSR in SMEs has pointed out that some of the characteristics of this kind of firm are reflected in their approach to ethics and social responsibility: the significance of the values of the entrepreneur or Chief Executive Officer (CEO) in SMEs, the prevalence of informal practices of CSR and the reduced propensity to communicate them externally (Fassin, 2008; Jenkins, 2006) or the difficulties in understanding CSR beyond the specific practices carried out by the firm (Murillo and Lozano, 2006).

Research on CSR has also concentrated on the barriers faced by SMEs when implementing their approach to social responsibility (Vázquez-Carrasco and López-Pérez, 2013): lack of time, resources, appropriate information and support services (Roberts et al., 2006), and difficulties in measuring the benefits and maintaining the momentum of activities (Jenkins, 2006).

The undeniable link between the social responsibility of the firm and its practices towards employees has nurtured a stream of research dedicated to analysing human resources management (HRM) in responsible firms, thus coining new terms such as socially responsible human resources management (SRHRM) (Shen and Zhu, 2011).

By combining the perspectives of SRHRM and CSR in SMEs, this study aims to deepen our understanding of the approach of socially responsible SMEs towards employees, the motivation of embedding their satisfaction and engagement in CSR strategies, the practices considered part of this approach and the benefits perceived by the entrepreneurs.

The article describes the content analysis conducted on data collected through semi-structured, face-to-face in-depth interviews with the owners or board members of seven Italian SMEs, operating in different manufacturing industries.

Our results show the high importance given by small entrepreneurs to employee satisfaction and engagement, the ethical motivations but also the strategic implications of CSR practices towards employees, and the clear perception that the fair treatment of human resources is not only a task of socially responsible entrepreneurs, but also a way to
gain business excellence and performance in terms of reputation and customer satisfaction.

Among the implications of this study, we underline the fact that small businesses are not as unaware and skeptical of formal practices as the main stream of literature on CSR in SMEs has indicated. Further, the interviews highlight the notion that even small gestures towards employees can lead to benefits, in terms of reduced absenteeism and turnover, increased satisfaction and productivity, and positive outcomes in terms of the firm’s performance.

The remainder of the article is structured as follows: Section 2 presents the literature background, Section 3 concerns the research design and methodology, Section 4 includes the analysis of the interviews, and the last section discusses the results and implications with some concluding remarks.

2 Literature background

2.1 Corporate social responsibility and human resources management

CSR is the means by which firms embed social and environmental issues in their business operations, thus contributing to the aims of sustainable development.

The literature on CSR is vast and different streams have emerged over time: initially, social responsibility was assigned to the businessman (Bowen, 1953); next, it was considered a moral obligation of companies to reduce the negative impacts on the social and natural environment (CSR, CSR1: Frederick, 1994); it then became the ability to respond to social pressures, by implementing managerial procedures and tools within the firm (Corporate Social Responsiveness, CSR2: Frederick, 1994).

Following the debates between the supporters of CSR1 and CSR2, other models emerged, with the aim of merging the principles, processes and performance within a holistic view (Corporate Social Performance, CSP: Carroll, 1979; Wood, 1991).

Today, the concept of CSR remains multifaceted, as a more recent literature review indicates (Dahlsrud, 2008): studies usually refer to CSR using the available definitions of the three classical dimensions of sustainable development (economic, social and environmental), but also the stakeholder and voluntariness dimensions.

The stakeholder theory (Freeman, 1984) contributed to clarifying to whom firms should be responsible, by depicting companies as central nodes in a network of different relationships with such entities as owners, employees, suppliers, customers, competitors, media, governments and local community organisations. In addition, the definitions of stakeholders are numerous and varied, but the idea is that the stakeholders have to be taken into account as they ‘have or claim, ownership, rights or interests in a corporation’ [Clarkson, (1995), p.106] and they ‘can affect or be affected by the achievement of the organisation’s objectives’ [Freeman, (1984), p.46].

Among the stakeholders, employees have a crucial role in firms because in addition to being stakeholders, they are the means by which businesses operate and have relationships with all the other stakeholder groups. Thus, understanding the relationships between the CSR approach and HRM is a relevant issue: the social responsibility practices towards employees contribute to increasing employee engagement and satisfaction, which in turn can lead to the firm’s performance. However, considering that
employees are the real players of the firms, the effectiveness of every CSR strategy (towards the different groups of stakeholders) is dependent on employees’ work attitudes.

The undeniable link between CSR and HRM has fed a stream of research devoted to analysing the impact of social responsibility practices on the different aspects of employee attitudes and behaviours, and in particular on employee commitment (Shen and Zhu, 2011), job satisfaction (Kundu and Gahlawat, 2015) and organisational citizenship behaviour (Newman et al., 2016). The merging of the two themes has suggested different labels for these studies, such as sustainable HRM (Garavan and McGuire, 2010) or SRHRM (Shen and Zhu, 2011).

Kundu and Gahlawat (2016) conducted a study among 204 firms in India and found that all four components of SRHRM (legal compliance HRM, employee-oriented HRM, general facilitation HRM and general CSR conduct) affect the trust, motivation and commitment of employees.

Peterson (2004) verified the presence of a positive relationship between perceptions of corporate citizenship and organisational commitment, which was stronger among employees who believed strongly in the importance of the business’s social responsibility. Further, the relationship was stronger with regard to the ethical measures of corporate citizenship. Turker (2009) analysed how CSR affects the organisational commitment of employees based on the social identity theory. He found that CSR towards social and non-social stakeholders, employees and customers was a significant predictor of organisational commitment. In a study based on manufacturing firms in the US, Stites and Michael (2011) found that both community and environmentally related CSR are positively linked to organisational commitment.

2.2 Organisational commitment and employee satisfaction as antecedents of organisational performance

Organisational commitment designates ‘the extent to which a business unit’s employees are fond of the organisation, see their future tied to that of the organisation, and are willing to make personal sacrifices for the business unit’ [Jaworski and Kohli, (1993), p.60], and employee satisfaction is ‘the extent to which people like their job’ [Spector, (2003), p.210]. It is clear that the two constructs are related, even if organisational commitment could be considered a broader concept. Regardless of specific definitions, leveraging the factors that affect employee satisfaction (Tomaževič et al., 2014) is crucial to increasing commitment, as this can contribute to gaining organisational effectiveness and excellence (Aristovnik et al., Forthcoming; Wilson and Narayan, 2016) because it has been demonstrated that satisfied employees are more loyal (Meyer and Allen, 1991) and perform their tasks more efficiently and more effectively.

Consequently, some studies have tried to define a more comprehensive picture, in which CSR practices are the antecedents of organisational commitment, which in turn affects firm performance.

Maignan et al. (1999) presented a model for analysing the relationships between antecedents, corporate citizenship and its consequences. The consequences considered in the model are organisational commitment and customer loyalty, together with business performance. The results highlighted the positive impacts of corporate citizenship on all the constructs of organisational success, such as organisational commitment, customer loyalty and firm performance.
Maignan and Ferrell (2001) conducted a similar study, based on a survey of French business people, and found that corporate citizenship (CC) has a positive impact on organisational commitment but only considering the discretionary component of CC.

Hammann et al. (2009) considered the relationship between the value orientation towards employees, customers and society of a sample of German firms that had adopted CSR instruments and employee satisfaction, customer satisfaction, reputation and the value creation process. They found that CSR practices towards employees can reduce absenteeism and increase satisfaction and motivation, and thus affect value creation by means of cost reduction.

Rettab et al. (2009) analysed the impact of CSR activities on three different measures of firm performance: financial performance, employee commitment and corporate reputation. All the effects proved to be significant and positive, based on a sample of 280 firms in Dubai.

Gallardo-Vázquez and Sanchez-Hernandez (2014) studied the impact of CSR on competitive success by analysing a sample of Spanish medium and large firms, located in the region of Extremadura. They found a positive relationship between CSR and competitive success, mediated by ‘performance’, a construct comprising items related to customer and employee satisfaction, and image or reputation.

2.3 CSR and employees in SMEs

The cited studies highlight that the link between CSR, employee satisfaction or commitment and firm performance has been investigated often, but mainly in the context of large corporations and by means of large quantitative studies (surveys).

SMEs are the prevailing form of business in Europe, where more than 99% of all companies are considered small (European Commission, 2016).

The literature on CSR has usually depicted SMEs as organisations with unique features differentiating them from large and multinational corporations, so that theories and tools studied for the latter do not always apply to the former. Some authors even challenge the use of the term ‘corporate’ when describing SMEs’ approach to social responsibility (Jenkins, 2004). Among the relevant differences between SMEs and large companies, previous studies have cited the significance of the entrepreneur’s or CEO’s values in SMEs, the prevalence of informal practices of CSR and the reduced propensity to communicate them externally (Fassin, 2008; Jenkins, 2006) or the difficulties in understanding CSR beyond the specific practices carried out by the firm (Murillo and Lozano, 2006).

Research on CSR has also concentrated on the barriers faced by SMEs when implementing their approach to social responsibility (Vázquez-Carrasco and López-Pérez, 2013): lack of time, resources, appropriate information and support services (Roberts et al., 2006), and difficulties in measuring the benefits and maintaining the momentum of activities (Jenkins, 2006).

Among the practices of socially responsible SMEs directed towards employees, Jenkins (2006) listed the creation of good work-life balance and family-friendly employment, flat management structures, forms of communication such as employee newsletters, social events for staff, award-winning training and development programmes, one-to-one mentoring and 360° appraisal schemes. The benefits perceived were mostly called ‘soft’ or ‘intangible’, such as the perception that CSR can contribute to reducing employee absenteeism.
El Baz et al. (2016) compared French and Moroccan SMEs, and found that among CSR drivers, the commitment and motivation of employees was cited by about half of the interviewees, and CSR actions they described included health and safety issues, training, social partnership and dialogue, fair compensation, fighting against discrimination and work-life balance.

Murillo and Lozano (2006) found that the organisational improvement achieved by socially responsible SMEs who were interviewed was attributed to a better working climate, the staff being more involved in the company’s objectives and a decrease in staff turnover. They also found that the driver of CSR is mainly internal, such as the improvement of relations between employees and the company, while the relationships with external stakeholders comes only in second place. The approach of SMEs emerging from this study is to perceive CSR as precise practices (related to workers’ benefits, participation in management, occupational health and safety measures, corporate giving and environmental strategies), and CSR as excellence.

Through these studies, the unique characteristics of SMEs emerge, also with regard to CSR motivation, actions and the perception of benefits. In small businesses, the relationship between the entrepreneur and the employees is close-knit (Spence and Lozano, 2000). Employees are one of the most important categories of stakeholders in SMEs, but because of the reduced availability of resources and the less formal structure of HRM, together with the lower number of studies on this topic in SMEs, it deserves deeper investigation.

3 Methodology

The aim of this research was to understand the approach of socially responsible SMEs towards employees, why and how employee satisfaction and engagement are embedded in CSR strategies, what HRM practices are considered part of this approach and what the benefits are as perceived by the entrepreneurs.

The analysis of CSR practices towards employees and the related motivations and perceived benefits was conducted through the content analysis of interviews with seven Italian SMEs; the SMEs were all from Veneto region in Italy, in particular located in the provinces of Vicenza and Verona, as were chosen for a research project supported by a local organisation interested in deepening the social responsibility practices of the territory; the geographical proximity of the cases should increase the comparability, as they share a common environment and institutional context. The method of data collection was chosen to investigate more deeply the concept of CSR in SMEs, their policies towards employees and their subsequent practices, by leaving the interviewees free to add any further insights that could improve our understanding of their approach.

The firms were selected because they were known for their engagement in social responsibility practices; the selection was done through two separate steps: in a first steps of the project, the lists of firms adopting formal CSR practices (such as UN Global Compact commitment, SA8000 certification, GRI sustainability report or IIRC integrated report) were checked in search of local firms; in a second step some local institutions (the CSR office of the Chamber of Commerce, and a Managers’ Association devoted to CSR topics) were asked to indicate firms or entrepreneurs known for their commitment to CSR; the lists were merged and then the firms selected in order to have a representation
of different sizes (micro, small and medium firms) and different industries. Following the selection process, and depending on the availability of the interviewees, seven cases were collected and analysed. The cases are synthesised in Table 1 in terms of the industry and other relevant characteristics (sales, employees, role and gender of interviewees). The interviewees were all owners and board members of the firms, and included five males and two females.

Table 1  
Sample of interviewed firms

<table>
<thead>
<tr>
<th>Firm</th>
<th>Interviewee role</th>
<th>Gender</th>
<th>Sales</th>
<th>No. of employees</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Managing director</td>
<td>Male</td>
<td>4m €</td>
<td>25</td>
<td>Plastics</td>
</tr>
<tr>
<td>B</td>
<td>CEO</td>
<td>Male</td>
<td>15m €</td>
<td>34</td>
<td>Basic metals</td>
</tr>
<tr>
<td>C</td>
<td>Board member</td>
<td>Male</td>
<td>18m €</td>
<td>30</td>
<td>Wine</td>
</tr>
<tr>
<td>D</td>
<td>Board member</td>
<td>Male</td>
<td>3m €</td>
<td>13</td>
<td>Book printing</td>
</tr>
<tr>
<td>F</td>
<td>President</td>
<td>Male</td>
<td>2m €</td>
<td>15</td>
<td>Furniture</td>
</tr>
<tr>
<td>G</td>
<td>Board member</td>
<td>Female</td>
<td>2m €</td>
<td>12</td>
<td>Office products and furniture</td>
</tr>
<tr>
<td>H</td>
<td>President</td>
<td>Female</td>
<td>6m €</td>
<td>35</td>
<td>Packaging</td>
</tr>
</tbody>
</table>

To analyse the cases, face-to-face in-depth semi-structured interviews were conducted. An interview protocol was established to ensure that similar procedures were followed for all cases analysed (Eisendhart, 1989). The interviewees were asked to describe their approach to CSR, the motivations for an SRHRM, the practices towards employees that were considered part of their CSR and the perceived benefits stemming from these actions. The interviews were collected between April 2015 and October 2016 and lasted between 45 minutes and 1 hour and 30 minutes.

All interview content was stored in a database in which we recorded the answers, transcripts and notes. The texts were then analysed through coding (Boyatzis, 1998), using the software Atlas.ti7; by the coding procedure, sentences were collected and analysed with reference to three main descriptive coding (Saldaña, 2011) categories: motivations for CSR actions towards employees, SRHRM practices and perceived benefits. Two researchers did the coding separately and then the results were compared and merged to the final analysis. The subsequent paragraph is structured to analyse the results following the described coding structure (motivations, practices and benefits).

4 Content analysis of the interviews

The importance of HRM in these firms is highlighted by the fact that some of the interviewees considered that paying attention to employees are the first and most important socially responsible action.

For Firm C before considering the external actions of CSR, it is necessary to pay attention to the people who are working within and for the firm. This has also an external effect, such as ‘if I safeguard employees I safeguard their families’, and every further action directed towards employees follows this priority.

The centrality of the people is also affirmed by Firm B, which underlined the need to have an HR manager despite the small size of the firm: ‘Some people think that it is a heresy having an HR manager (in small businesses): how can a firm with 20 employees
human resources management in responsible small businesses

have an HR manager? So they don’t have one, but they have someone dedicated to the maintenance of plants and machinery. This is equal to admitting that machinery is important, while people are not.

Among other motivations for CSR towards human resources, the entrepreneurs mainly highlighted the ethical driver: they asserted that they want people to be fairly treated within the firm (Firm A: “We just think that it is fair to treat people well”; Firm B: “We do it because we want people to be treated fairly”).

A strategic vision of HRM was also captured by others, such as ‘businesses need to prosper and to prosper they need people’ (Firm D).

Other questions in the interviews were focused on understanding what kind of practices towards employees are considered socially responsible. It was particularly interesting to listen to entrepreneurs describing their use of mainly small actions rather than complex tools directed towards HRM (Firm A: “There is nothing eye-catching about what we did, only small things put together… like repairing the toilets, it seems a triviality but it is not”). Some interviewees also turned the questions around by asking ‘could this practice be considered CSR?’, thus indicating that small firms are sometimes responsible without being completely aware of what this means and implies in practice.

A first group of described practices concerned employees’ dialogue and engagement; the small size of the firms gives the advantage of easily creating occasions for meetings. The entrepreneur in small businesses has a duty to ‘listen a lot’ (Firm G) in informal situations but also during certain meetings held with the aim of holding nothing back, to inform management about negative situations or things that could be improved in the workplace, both in the organisational processes and in the work environment. Some interviewees argued that on these occasions people come with ‘the list of problems to be solved’ (Firm C), while others are more sceptical about the effectiveness of these meetings (Firm A: ‘during these meetings no relevant news was usually told’). However, establishing these sessions is useful to make “people feel that you are interested in their opinions and that you engage with them often, on a regular basis” (Firm G). To avoid the fear of being judged, Firm C uses a postal box to collect anonymous complaints from employees.

Employee engagement is perceived as crucial by a large majority of the interviewees, as a good entrepreneur has to ‘engage with people, not annoy them’ (Firm D). The feedback from the engagement is generally positive, and “if you propose to people an interesting, not banal project, they respond” (Firm G). An example of engagement was described by Firm B in which all process owners were involved in describing the customer value proposition by means of a business model canvas, and the decision to adopt more sustainable practices was shared among them.

Other important topics described by the small entrepreneurs were the work climate and the work environment. The attention paid to working conditions starts with the design of the factory, which should not be a closed and dark place, but rather a place where ‘the contact with nature is enabled by large windows’ (Firm C). In the offices, the employees of a commercial department could better manage the orders by using three monitors instead of only one (also reducing the use of paper – Firm B). However, the climate can also be enhanced by creating recreation opportunities in which people can freely interact outside the job (Firm B: ‘we always have an amazing party by the swimming pool, during the last week before the holidays’; Firm G: “we organised a trip, and each employee could bring someone else, friends or family members”).
The creation and upkeep of a good work climate is considered a priority for the entrepreneurs, who ‘love thinking that I can serenely talk with my collaborators, preventing them from thinking about other problems’ (Firm A). This is not only an advantage for employees because ‘in an environment where people stay well, all becomes easier, the barriers are knocked down so that conflicts do not even arise’ (Firm G).

With regard to work conditions, most interviewees emphasised the option for employees to freely ask for leave days, as ‘we work with employees as a family’ (Firm F), free holiday planning (Firm G), flexibility in working hours to create a better work-life balance (Firms A and C), or a short week timetable (one hour extra Monday to Thursday, and a Friday afternoon free, Firm B).

Health and safety issues were sometimes stressed as going beyond the regulations, with effective training and frequent meetings to discuss the risks and recurring controls, as well as voluntary practices (such as the purchase of a defibrillator, Firm C).

Widespread actions – such as training opportunities (e.g., courses devoted to cross-competencies like English and information technology; internship offered to university students, Firm C) – sometimes accompany less usual practices, such as helping with bureaucracy for foreign employees (Firm C), supporting families in financial difficulties (Firm H) or giving flexibility to employees who wants to receive further education (Firm C), or initiatives such as a library for employees (Firm G). A very original practice is that followed by Firm D, which displays a description of each employee including his or her main virtues and skills on the firm’s website.

Despite being small businesses, the interviewees do not avoid implementing management systems to gain formal certifications in the fields of social responsibility towards employees (Firms A, C and F have SA8000 certifications), health and safety (Firm H has OHSAS 18001) or industry-specific certifications on the supply chain (responsible jewelry council chain-of-custody, Firm B). The decision to implement these systems stemmed mainly from customer pressure, in particular, when customers are large corporations with formal CSR policies that require control on the supply chain.

Regardless of the pressures that pushed the firms, or the kinds of practices adopted, interviewees indicated a general perception that being responsible towards employees brings important benefits to businesses (see Table 3).

The most visible impacts are on employee satisfaction and motivation, which in turn contributes to reducing the turnover and work productivity. Two firms (D and G) stated that, thanks to their approach to employees and the work climate established, the turnover is negligible. Firm A asserted that when people come to work happy each morning, they surely perform better. For Firm D, “it is crucial for them to say each morning: I go gladly, I go because I like it, because I find people that I like, and it is exciting”, and Firm B outlined that “Our advantage passes through their advantages; if they are happier, they will be happier about working, and working for us will be a value (…) and when they go out with friends they will tell them: do you know how great my workplace is?”.

Yet is it necessary to measure employee satisfaction? How do small businesses measure it? Firm C was sceptical about measurement systems for CSR (“How do you measure the effect of CSR on employees? I always said it is impossible to measure…”), and Firm G stated that it is easier in a small firm to feel it when something goes wrong (“otherwise the customer would tell you…”). Other firms are in favour of measurement systems, such as Firm B (“We want to arrange for a total quality management system; not the classical management control, but rather an integrated system in which the satisfaction is not only that of customers, but also of suppliers, employees, banks, of
every stakeholder”) and Firm A (“In a firm when anything happens, if you measure it you can manage it”).

Table 2. CSR practices towards employees as described by small businesses

| Flexible working hours                        |
| Short work week (Friday afternoons free)     |
| Work-life balance, especially for mothers   |
| Freely chosen holiday plans                  |
| Parties and trips organised for the employees|
| Design of the factory (large windows)        |
| Work equipment (three monitors for each)     |
| Certifications: SA 8000                      |
| Certifications: OHSAS 18001                  |
| Certifications: Chain of Custody (CoC)       |
| Micro loans to employees                     |
| Support with bureaucratic practices for foreign workers |
| Support and consultancy for employees’ families with financial problems |
| Anonymous complaints and suggestions (postal box) |
| Periodical meetings to discuss problems and listen to employees’ requests |
| Training opportunities for all employees     |
| Short presentation of each employee on the firm’s website |
| Voluntary health and safety practices, beyond regulations |
| Purchase of a defibrillator                  |
| Library for the employees                    |
| Possibility to balance work with further education |
| Internship offered to high school and university students |

Table 3. Perceived benefits of CSR and SRHRM

| Employee satisfaction |
| Employee motivation   |
| Turnover reduction    |
| Work productivity     |
| Image                 |
| Customer satisfaction |
| Positive ‘indefinite’ effects |
| Business improvement  |

Other important impacts of employee satisfaction described by the interviewees concern image and customer satisfaction. Firm G asserted that “if you feel good about yourself and about the work environment, this positively impacts on the external image; I think the customer perceives when there is a certain willingness, a certain way of working, and this usually rewards”. The impact on customers was also recognised by Firm H, which uses indirect tests of employee satisfaction by asking customers how they have been
treated. Firm C recognised the general benefits of a responsible HRM (“I am certain that each positive action towards employees will produce positive effects, but we do not know what, when and why...”), and Firm D asserted that ‘human capital is the real value in businesses’ and motivation is a driver for firm success, such as “if I use work as a means to improve myself, by improving myself I can contribute to the business improvement”.

5 Discussion and conclusions

Many studies on CSR in SMEs have highlighted the limitations encountered by entrepreneurs in implementing these practices, such as lack of resources, knowledge and skills, time and specific support by the public administration (El Baz et al., 2016; Jenkins, 2006; Roberts et al., 2006).

However, the picture emerging from the interviews described in the previous section is different: CSR can be part of an SME’s strategies and business operations, as it can comprise simple practices that cost little but have significant positive impacts.

Thanks to flat organisations, a reduced number of employees and consequently the idea of managing a business ‘as a family’, most entrepreneurs feel that the first social responsibility of the firm is to their employees.

Safeguarding the wellness of employees appears to be a priority in all the analysed cases. One participant emphasised that responsibility towards external stakeholders is conceivable only when all the material issues concerning employees are satisfied, and others felt that having an ethical approach to business means first of all making a commitment to respecting employees, as they want people to be fairly treated in their firms.

The ethical values of entrepreneurs are usually indicated in the literature as the first motivation for socially responsible engagement (El Baz et al., 2016; Jamali et al., 2009), but from the interviews, another relevant issue emerged: it is fair to treat employees well, but enlightened entrepreneurs also argue that a happier employee is also a more productive one, thus indicating that small firms are aware of the strategic outcomes of establishing good relationships with employees.

Among the practices discussed by the interviewees, the prevailing concerns of small firms in relation to employees are dialogue and engagement, working climate and conditions, and employee satisfaction.

Dialogue is the basis of HRM in SMEs: outside pre-set meetings, entrepreneurs are committed to creating a climate in which employees feel that they can talk without it affecting their job or the need to balance it better with personal and family tasks. For the shyer employees, an anonymous system for suggestions could be implemented (such as postboxes), but the most important thing for entrepreneurs is to demonstrate that they are willing and open to listening and that they consider the employees’ opinions important as well as valuable to good firm management. This can be gained mainly through a transparent approach by the entrepreneurs and by their setting a good example of ethical behaviour.

The attention given to the creation of a good work climate and good working conditions emerges from different practices described by the interviewees: from the design of the factory (with large windows), to the work equipment (the availability of three monitors to better manage the files contemporaneously), to more intangible (but material) aspects such as working timetables, flexibility for mothers and free holiday
planning. The climate is also related to personal relationships, so without investing a
great deal more in structured benefits – which is typical of large corporations – parties
and trips outside working hours can also be a good way for employees to socialise with
each other and ease the sometimes tense relationships at work.

Despite the prevalence of ethical motivations for SRHRM, all the entrepreneurs
argued that treating employees fairly brings significant benefits, because employees who
are more satisfied are less likely to be absent or to leave their job. Further, they feel
closer to the firm and thus contribute to creating a good image and reputation, with
outcomes also evident in customer satisfaction.

Some entrepreneurs stated that the link between employee satisfaction and firm
performance is difficult to define and to measure, but they believe strongly in it, even if
they cannot demonstrate a direct impact.

Starting from the extant literature, this study has shown that small entrepreneurs
adopt HRM practices in light of their social responsibility. These practices are sometimes
‘small things’, but their strategic importance is clear. Some insights also contradicted the
main findings of the literature, for example, the assertion that small firms tend not to
adopt formal practices (Lee et al., 2016; Vázquez-Carrasco and López-Pérez, 2013) or
that they have difficulties in establishing a business case for CSR (Battisti and Perry,
2011; Lee et al., 2016).

In fact, most of the small firms interviewed have formal certifications for
management systems, such as SA8000, OHSAS 18001 or industry-specific tools. Further,
the entrepreneurs emphasised the idea that CSR is a means to achieving business
excellence and a way of doing business better, and compared CSR to systems such as
total quality management. Human resources are seen as strategic, because they carry out
the business operations, and they are the means by which the firm interacts with and
presents itself to all other relevant stakeholders.

The main contribution of this study is that of having shown that socially responsible
small entrepreneurs are extremely aware of the importance of people working inside the
firm and of the need to consciously manage the relationships with them, because, as
emphasised by some interviewees, it is unreasonable to take care of machinery and
equipment without having someone to manage the relationships with employees, who are
the real assets of the firms. The presumed resource constraints of small businesses did not
seem to be perceived by the interviewees: CSR towards employees can be implemented
with small actions, with powerful effects on their motivation, satisfaction and
engagement, but also on more general firm objectives such as good image creation and
customer satisfaction. It seems that the scale of action is not important; rather, it is the
motivation – the fact that the entrepreneur feels confident that this is the right way to treat
employees and do business. This is also highlighted by the fact that many firms have
adopted formal certifications to communicate their ethical approach to human resources
and thus to capitalise on the positive feedback on their image and reputation.

The limitations of this study reside in having collected the evidence of a small group
of entrepreneurs, but the aim was not to deduce general results, but rather to shine a light
on the unique (but effective) approach of small businesses towards CSR and HRM.
Further studies can address more precisely the practices carried out by firms as good
examples to follow; another limitation is referred to data collection and content analysis:
the interviews were collected in the context of a more comprehensive study on CSR in
small businesses, and therefore the questions related to employees were part of a larger
research protocol: further steps of the research should be dedicated to deepen this interesting field of HR practices in a context of responsible small firms.

In the meantime, this study has demonstrated that having an ethical approach to business can enhance the management of human resources, even in small businesses without formal systems dedicated to it. Further, as positive perceptions of the benefits stemming from this way of managing business have also been confirmed for small firms, governments and public administration could establish consistent incentives for implementing socially responsible practices towards employees, in order to convince those more skeptical entrepreneurs who strongly feel the constraints of their reduced business size.

References


