# Corporate social responsibility and sustainability issues of small and medium-sized enterprises

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**Abstract:** Corporate Social Responsibility (CSR) presents a valuable tool of a better management of enterprises for the benefit of the whole society. Small and medium-sized enterprises (SMEs) have been facing this challenge for a shorter time than large enterprises. The aim of the article is to evaluate the impact of the CSR indicators on the sustainability of SMEs in Central European (CE) countries. Factors of the sustainability of SMEs are: innovative ways to win new markets and retain existing customers, the innovation of our products and services, and lower probability of SMEs' bankruptcy. Linear regression analysis was applied to verify causal relationships. The sample size was constructed of 1,585 SMEs on basis of the questionnaire's answers. The results show that the knowledge of the CSR concept and its assertion in business is the most important CSR indicator with a positive impact on each factor of SMEs' sustainability.

## 1. Introduction

Corporate Social Responsibility (CSR), environmental responsibility, or any other type of corporate responsibility are gaining great attention from scholars (Testa *et al.*, 2016). It can be said that in the last two decades, CSR has gained much importance in the academic discussion and in the public agenda in general. However, it can be noticed that small and medium enterprises (SMEs) have attracted relatively less attention from academicians (Bansal & Hoffman, 2012). According to Coppa and Sriramesh (2013), CSR represents a puzzle of economy, society and polity. Thus, it is not just part of the organization. Hence, corporate environmental and social responsibilities are seen as relatively new practises for SMEs (Bansal and Hoffman, 2012; Johnson, 2015). The impact of each SME on the economy and environment is minimal, but overall they constitute a large share of the European economy and cause almost two thirds of pollution in Europe (Parker *et al.*, 2009). Therefore, applying environmental practices and being social responsible in the SMEs segment may contribute in addressing such issues.

Although SMEs reflect a considerable share in the economic activity, many of the studies in the literature are focused almost exclusively on large firms. Taking this into consideration, the

European Union promoted CSR in national and international contexts (European Commission, 2003). This initiative aimed at building a general framework for the promotion of socially responsible corporate practices rooted in the European values. According to the reports by the European Commission (2019), SMEs in the European Union account for about 56.4% of total value added and more than 66% of all jobs. Therefore, there is an apparent disproportionate level of attention from the academicians. This is a motivation to study CSR in all types of enterprises, regardless of their size.

Social entrepreneurship is consider as the first attempt of introducing CSR to the SME segment. It is defined as a set of skills which once implemented may leverage the enterprise's resources in order to address social issues (Dacin *et al.*, 2011; Phillips *et al.*, 2015; Stephan *et al.*, 2015). Social enterprises are not ordinary firms that aims profit and owner' value maximisation, but they are some sort of firms which intend to address social problems. Usually, the way how they meet their objectives is through applying innovative approaches. Scholars have shown that firms which implement CSR policies and practices enhance the performance (Lins *et al.*, 2017; Martinez-Conesa *et al.*, 2017; Nelling and Webb, 2009; Rodriguez-Fernandez, 2016; Surroca *et al.*, 2010). Therefore, applying initiatives related to CSR may contribute to the firm performance, which, in turn, means sustainability.

In this paper, CSR practices are seen as potential aspects that can be applied even for the SME segment. One part of the research sheds light on the determinants and impacts of CSR on SMEs. Among others, for example, Coppa and Sriramesh (2013) studied the factors that motivate SMEs to apply the CSR practices, Madueño et al.'s (2016) paper contributes to a better understanding of the effects of CSR on the competitive performance of SMEs operating in Spain, and Martinez-Conesa et al.'s (2017) research offers insights into the role of CSR in the firm's performance and innovation. Based on these linkages, this research goes further by assuming that business sustainability can be improved by adopting CSR policies and practices. If SMEs adopt such policies and practices that are focused at consumers and innovation, and put in place efforts which lead to the avoidance of their bankruptcy, then their business activity is more sustainable.

The way firms interact with the external environment leads to the role of CSR in helping firms achieve a better position in terms of competitive advantages (Militaru and Ionescu, 2006; Orlitzky *et al.*, 2011). In this context, better connections with customers can be achieved through investing in CSR practices (Ali *et al.*, 2020; Coppa and Sriramesh, 2013; Oliver, 1999). CSR activities focused on customers positively influence satisfaction and repurchase behaviors (Pérez and del Bosque, 2015). This leads to the impact of CSR practices on customers.

Another important issue tackled in the CSR discourse is the nexus between CSR and innovation. There is a general concern in literature that CSR has not yet clearly demonstrated the nature of its relationship with innovation (Klewitz and Hansen, 2014; Surroca *et al.*, 2010). There are studies that support a positive relationship between CSR and innovation (Martinez-Conesa *et al.*, 2017) and some others which found dual relationships (Bocquet, 2011; Gallego-Álvarez *et al.*, 2011; González-Ramos *et al.*, 2014). These unclear results require deeper investigation of the relationship and more research in different contexts. This paper contributes to the literature by offering a clear relationship between the CSR practices and innovation in the context of four countries from CE.

From the managerial point of view, it is of particular interest to investigate the influence of CSR on sustainability or continuance of the activity (Dayanandan *et al.*, 2018). Hence, there is a need to understand whether CSR practices implemented by enterprises contribute or not to the avoidance of bankruptcy or business failure.

The purpose of this paper is to better understand the relationships that may exist between CSR and the three above factors (customers, innovation, and sustainability) and to investigate how CSR affects them in the context of SMEs operating in CE. The above relationships are tested in a unique sample of SMEs from the Czech Republic (CR), Slovakia (SR), Poland (PL), and Hungary (H).

The remaining parts of the paper are organized as follows: The next section focuses on the theoretical background and the development of the hypotheses. Then, the data collection technique, variable measurement and the used statistical methods are presented, followed by the used analyses and the obtained results. Findings are discussed in a separate part, followed by the conclusion section.

## 2. Literature review~~Theoretical part~~

The importance of corporations in the environment when considering societies is increasing, especially during the last decades. Parallel to this, the interest of individuals in CSR is rising (Krajnakova et al., 2018). Following the contribution of previous authors regarding the theoretical framework, Crane et al. (2014) consider CSR an element that should be enclosed to corporate, governmental, and other institutional reports, including international ones. They discuss that CSR is not an attempt to move money from shareholders and it is unclear whether CSR is right or wrong. Further, they add in their defense that the lack of understanding of CSR and its many ways of appearance leads to a more difficult evaluation of its specific responsibilities. On the other hand, Grayson and Hodges (2004) in their attempts to design new analytical techniques argue that the theory of CSR should not be considered as a topic on the annual disclosure. They claim that it is worthwhile to change the CSR's name to Corporate Social Opportunity and reconsider the concept. They highlight new business strategies to capitalize on those prospects or opportunities. However, their proposed analytical techniques are not specific enough and consequently do not provide SMEs with any easy to use diagnostic tools. The first dilemma is generated from the fact that fear is considered as the main driver to include CSR in SMEs.

The following paragraphs shed light on the three relationships. Hence, the hypotheses that link CSR with customers, innovation and sustainability (continuance of the activity) are developed below.

The concept of CSR has escalated in importance to become a fundamental pillar for any company intending to become a competitive agent in the current market (Orlitzky *et al.*, 2011). According to Militaru and Ionescu (2006), CSR seeks to reduce the company's negative impact on the environment by voluntarily improving social and environmental standards. Nowadays, companies all around the world are becoming more and more interested in implementing CSR strategies with the aim of generating competitive advantages and establishing a constructive relation with stakeholders (Crane *et al.*, 2014; Orlitzky *et al.*, 2011). One of the main objectives of the CSR is to build a constructive relation with customers (Oliver, 1999). It has not only become a marketing goal but a significant factor to generate competitive advantage (Dick and Basu, 1994). A research carried out by Madueño et al. (2016) established a relationship between CSR and improvements related to customers through a variable named relational improvements. According to the authors, the commitments with the customers have a positive effect on the firm's performance. Moreover, an investigation developed by Lee (2018) studied the impact of CSR on customer loyalty and found a positive relationship expressed mainly in economic and legal effects. Other authors demonstrated that the perceptions of customer-centric CSR strategies positively and consistently impact satisfaction and repurchase behaviors (Pérez and del Bosque, 2015).

However, customers are becoming more aware about the possibility of companies engaging in CSR activities with the only purpose of gaining social legitimacy. According to Vanhamme and Grobben (2009), customer ~~skepticism~~ scepticism towards CSR strategies responds to factors such as the fear

of being manipulated or used. Furthermore, Shim and Yang (2016) argued that customers can have perceptions of hypocrisy when a firm is promoting strategies that overstate the actual outcomes, which can lead to a negative notion towards CSR. Based on the above discussion, certain interconnection between CSR and customers is anticipated. In order to contribute to the discussion of the impact of CSR on customer care, the following hypothesis is proposed.

*H1: CSR activities have a positive influence on customer care.*

Even though the link between CSR and business value has been largely elaborated and studied, there is a considerable research gap when considering the relationship between CSR and innovation of the company (Gallego-Álvarez et al., 2011; Khoma et al., 2018; Martinez-Conesa et al., 2017). It is natural for one to assume a positive relationship between CSR and financial performance of the firm, as it follows the flow of a logical chain reaction and also since it is a generally accepted assumption among scholars. According to Orlitzky et al. (2003) the core part of this theory is that CSR may be an organizational tool which might ensure a more effective use of resources, which in turn has a positive effect on the financial performance of the business. To summarize, there are many scholars who investigated the relationship between CRS and the corporate financial performance, and the consensus among them is that this relationship is positive (Činčalová and Hedija, 2020; Madueño et al., 2016; Perrini et al., 2011). On the contrary, regarding the relationship of the CSR and the innovation performance, there is a lack of knowledge and the connection is not fully established (Bocquet et al., 2017, 2019; Martinez-Conesa et al., 2017). It is true, however, that the relationship between CSR and innovation has been investigated and confirmed the positive linkage from several papers (Padgett and Galan, 2010; Wagner, 2010). In this line, scholars admit that the research concerning CSR has not yet plainly shown the nature of the connection with innovation (Surroca et al, 2010). In addition, authors such as Gallego-Alvarez et al. (2011), Bocquet et al. (2011), and González-Ramos et al. (2014), who have investigated the connection between innovation and CSR, report a double direction of the above relationship.

Authors have attempted to investigate the type of CSR strategy that best fosters innovation of the company (Bocquet, 2011; Bocquet et al., 2017; Ferauge, 2012). However, more research is needed in this regard. In early 2000, McWilliams and Siegel (2000) showed that the adoption of social and environmental practices may increase funds dedicated for research and development, which consequently can generate both process and product innovations. While analyzing CSR and innovation relationships in companies from Spain, Italy, and the UK, MacGregor and Fontrodona (2011) found that CSR-driven innovation is focused on products and services that are related to social purpose, whereas innovation-driven CSR is associated with creating social activities and is a function of value. Wagner (2010) went beyond by conceptualizing the CSR as a multi-dimensional appraisal of the company's responsible performance. He revealed that this fosters the innovation of the firm. Nonetheless, Gallego-Alvarez et al. (2011), while investigating the dual direction of the relationship, provided evidence that sustainable activities are not always followed by the creation of value and innovation.

By implementing CSR practices, enterprises can improve their ability to retain their most qualified employees. This category of employees, according to Donate and Guadamillas (2011), is necessary for maintaining the positions of leadership and management and the improvement of innovation capacity (Surroca et al, 2010). A recent study tries to investigate the above relationship by including mediating variables. In the light of the above discussion, the following hypothesis is formulated:

*H2: CSR activities positively influence innovations of SMEs.*

The global economic environment represents a variety of risks for companies and CSR policies can be a key element in a firm's risk-management strategy. According to Godfrey (2005), a firm's prior CSR engagement can lead to an *insurance-like* protection in the context of corporate financial distress by reducing potential sources of business risk. In the same line, Brooks (2016) developed a research framework using social and environmental ratings from the MSCI ESG database as substitute for CSR and found that a standard deviation increase of CSR investment decreases the likelihood of bankruptcy in approximately 28.5%. Moreover, Dayanandan et al. (2018) concluded that companies developing a strong CSR strategy are more likely to have earning warnings before negative announcements than companies with weak CSR strategies. These warnings can represent an important tool that may help predict and avoid a possible crisis.

Furthermore, striving to better study the CSR in all its components, a non-economic approach was developed by Gimeno et al. (1997) which highlighted that companies' sustainability is not only defined by economic performance. These authors believe that if a company maintains good relationships with stakeholders over a long period of time, these stakeholders will provide necessary aid to prevent the company from going bankrupt in times of crisis. This support can be demonstrated in voluntary purchases, extending the moratorium on debt repayments or simply financial aid. In the same line, James (2016) argued that relationships between a firm and its stakeholders (measured by executory contracts) influence directly the probability of the firm avoiding bankruptcy. An interesting study by Ahn and Park (2018) focused on CSR practices in eight long-existing Korean companies showed that building social capital amongst primary stakeholders through CSR activities can help companies to survive over time. Hence, a firm's sustainability can be at least partially determined by social performance. The analysis of CSR strategies and their effect on financial performance and market returns has been widely studied, however, the influence of the CSR in determining the likelihood of bankruptcy has been little explored. This research seeks to fill that gap by analyzing the effects of CSR on SMEs' likelihood to file for bankruptcy. For that purpose, the following hypothesis will be tested:

*H3: CSR activities lower the probability of SMEs filing for bankruptcy.*

## 3. Aim, Methodology and Data

The aim of the article is to evaluate the impact of indicators of the social responsibility concept on the sustainability of SMEs in CE.

The data collection was done from 9/2019 to 4/2020 in CE (CR, SR, PL, and H). Random selection was used to address 8,250 SMEs in CR, 10,100 SMEs in SR, 7,680 SMEs in PL, and 8,750 SMEs in H. Information about SMEs was obtained from the CRIBIS database (CR, SR); from the database of the Central Statistical Office of Poland (PL), and from the database of Chambers of Commerce and Industry in Budapest (H).

The approach of creating a random sample of SMEs (hereinafter "respondent") was the following: i. defining the basic set of respondents based on the selected criterion (SMEs up to 249 employees); ii. Assigning a serial number; iii. generating random numbers using the mathematical function "Randbetween"; iv. assigning respondents to randomly generated numbers; v. finding contacts and addressing respondents via e-mail with a request to fill out an online questionnaire. In the second phase, the companies were contacted by telephone with a request to complete a questionnaire.

The questionnaire consisted of 77 questions divided into several parts. In the first part of the questionnaire, basic characteristics of the respondent and the company were discovered. The second part of the questionnaire contained statements concerning management, corporate social responsibility, marketing, social media, and internationalization of business. The third part of the questionnaire contained allegations concerning business risks. The fourth part of the questionnaire

examined the respondents' attitudes towards claims regarding the bankruptcy of the company. The questionnaire was created separately for each country in the respective national languages. The questions were assigned randomly. The questionnaire also contained a control question, which prevented the questionnaire from being filled out automatically by computer. The average return rate of the questionnaires was as follows: CR - 3.6%; SR - 5.5%, PL - 4.7%, H - 4.6%).

The attitudes of the respondents were formulated according to the Likert five-point scale: from 1 "strongly agree" to 5 "strongly disagree" with the indicator. The CSR indicators and indicators of the sustainability of SMEs are formulated shown in Table 1, along with some descriptive statistics.

[About here Table 1]

Dependent variables of this study refer to three issues of sustainability: custom care, innovation and bankruptcy. Each of them is measured by a single indicator formulated in a five-pint Liker scale, as shown in Table 1. Hence, costume care is represented by S1, innovation by S2, and bankruptcy by S3.

Independent variables, based even on the literature review, are the CSR indicators, which are listed in Table 1. Among scholars there is no consensus of conceptualizing and measuring CSR (Galbreath and Shum, 2012; Montiel, 2008). The indicators used in this study to measure CSR were introduced by a prior research (Çera et al., 2020), which in turn, is motivated by other studies in the field of CSR contributing to its measurement such as Ali et al. (2020) and Maignan and Ferrell (2000).

Regression analysis was used to identify and quantify causal relationships (also to determine the direction and strength of the impact) of CSR indicators on indicators of SMEs' sustainability. Normal distribution (see Table 1; James, 1964) was confirmed for each variable. A correlation matrix was used to verify the dependences between variables (Lancaster & Hamdan, 1964). An estimate of regression coefficients ($\beta$) was calculated based on the method of Least Squares. The regression coefficient is statistically significant if the p-value of the t-test is lower than the level of significance ($\alpha = 0.05$). The linear regression function is:

$$S_i = \beta_0 + \beta_1 \times CSR1_1 + \beta_2 \times CSR2 + \beta_3 \times CSR3 + \beta_4 \times CSR4 + \varepsilon_n, \qquad (1)$$

where: $S_i$ – dependent variables (S1, S2, S3); $\beta_0$ – intercept, $\beta_1$; …; $\beta_4$ – estimates of regression coefficients; CSR1, …, CSR4 – independent variables (CSR indicators); $\varepsilon_n$ – random error.

The statistical significance of the regression model (RM) was verified based on regression characteristics: Multiple correlation coefficient (MCC), Coefficient of determination ($R^2$), Adjusted coefficient of determination (Adj. $R^2$), Standard error (SE), Analysis of variance (ANOVA). The multi-collinearities between CSR indicators were verified by the variance influence factor (VIF) (Spanos & McGuirk, 2002). If the VIF-value of indicator was less than 5, then the multi-collinearity in the RM was is rejected (O'Brien, 2007). Shapiro-Wilkov test (S-W test) was applied to verify the normal distribution of errors (de Waal, 1977). The Bartlett's test (BT) was used to verify the assumption of homoscedasticity (Arnold, 1980). These assumptions were accepted when the p-values of the S-W test and Bartlett's test were higher than the level of significance (Stewart, 1987). Autocorrelation was not verified because the authors did not use time-series data (Li & Valliant, 2011). All results were calculated using SPSS Statistics.

The total number of correctly completed questionnaires was 1,585 SMEs. The structure of respondents based on the selected criteria was as follows (CR/SR/PL/H): Company's country of operation (454/368/364/399); respondents' relationship to the company: owner (354/285/251/272), top manager (100/83/113/127); size of enterprise: micro-enterprise (up to 9

employees) (290/216/202/268), small enterprise (from 10 to 49 employees) (107/106/85/73), medium-sized enterprise (from 50 to 249 employees) (57/46/77/58); length of operating the business: 119/105/165/147 less than or equal to 10 years, and 335/263/199/252 for over 10 years.

# 4. Results

## 4.1 The impact of CSR indicators on custom careS1

The dependence between CSR indicators and dependent variable (S1: custom care) is presented in Table 2.


[About here Table 2]


The results from the correlation matrix confirmed medium strong positive correlates between indicators of CSR ($r \in <0.526; 0.791>$; $r$ – pairwise correlation). The most positive strong dependence is between CSR2 and CSR3 ($r = 0.791$). The dependences between S1 and CSR indicators obtain values from 0.235 to 0.281. The most positive strong dependence is between S1 and CSR2 ($r = 0.281$). Verification of the statistical significance of causal relationships between CSR indicators and the innovative ways of acquiring new markets are shown in Table 3.

[About here Table 3]

The results (see Table 3) showed that the RM of linear relationships between custom care (S1) and CSR indicators are statistically significant (F- ratio: p-value = 4.6E-32). The RM has the statistically significant indicators: CSR1 and CSR2 (t-Stat.: p-value = 0.000). In addition, there are no statistically significant CSR indicators: CSR3 and CSR4 (t- Stat.: p-values > 0.05). The LRM is formed as follows:

$$S1 = 1.703 + 0.118 \times CSR1 + 0.166 \times CSR2 + 0.024 \times CSR3 + 0.032 \times CSR4 + \varepsilon_t, \qquad (2)$$

where: *S1* – dependent variable (the innovative ways of acquiring new markets); CSR1,..., CSR4 – independent variables (CSR indicators); $\varepsilon_t$ – random error.

The VIF test values did not show the presence of multi-collinearity in the RM (see Table 3). Homoscedasticity was confirmed (BT: p-value = 0.348). The normal distribution of errors was confirmed for RM by S-W test (p-value = 0.177). H1 was partially supported.

## 4.2 The impact of CSR indicators on innovationS2

The dependences between CSR indicators and the dependent variable (S2: innovation) are the following: $r$(S2 and CSR1) = 0.163; $r$(S2 and CSR2) = 0.155; $r$(S2 and CSR3) = 0.164; $r$(S2 and CSR4) = 0.139. All pairwise correlations between S2 and CSR indicators are statistically significant ($\alpha = 0.05$). Verification of the statistical significance of causal relationships between CSR indicators and the stability and performance of the company is shown in Table 4.


[About here Table 4]


The results (see Table 4) showed that the RM of linear relationships between innovation (S2) and CSR indicators are statistically significant (F- ratio: p-value = 1.3E-11). The RM has the statistically significant indicator CSR1 (SR1: t-Stat.: p-value < 0.001). In addition, there are no statistically significant CSR indicators: CSR2, CSR3 and CSR4 (t- Stat.: p-values > 0.05). The LRM is formed as follows:

$$S2 = 1.882 + \mathbf{0.090 \times CSR1} + 0.033 \times CSR2 + 0.082 \times CSR3 - 0.007 \times CSR4 + \varepsilon_{t,} \quad (3)$$

where: $S2$ – dependent variable (the stability and performance of the company); CSR1,..., CSR4 – independent variables (CSR indicators); $\varepsilon_t$ – random error.

The VIF test values did not show the presence of multi-collinearity in the RM (see Table 4).Homoscedasticity was confirmed (BT: p-value = 0.135). The normal distribution of errors was confirmed for RM by S-W test (p-value = 0.427). H2 was partially supported.

### 4.3 The impact of CSR indicators on ~~S3~~bankruptcy

The dependences between CSR indicators (CSR1, CSR2, CSR3, and CSR4) and the dependent variable (S3: bankruptcy) are the following: $r$(S3 and CSR1) = 0.168; $r$(S3 and CSR2) = 0.173; r(S3 and CSR3) = 0.153;– $r$(S3 and CSR4) = 0.167. All pairwise correlations between S3 and CSR indicators are statistically significant ($\alpha$ = 0.05). Verification of the statistical significance of causal relationships between CSR indicators and the emotional future of the company is shown in Table 5.


[About here Table 5]


The results (see Table 5) showed that the RM of linear relationships between bankruptcy (S3) and CSR indicators are statistically significant (F- ratio: p-value = 3.3E-13). The RM has the statistically significant indicators: CSR1 (t-Stat.: p-value = 0.002); CSR2 (t-Stat.: p-value = 0.028). In addition, there are no statistically significant CSR indicator: CSR3 and CSR4 (t- Stat.: p-values > 0.05). The LRM is formed as follows:

$$S3 = 1.713 + \mathbf{0.094 \times CSR1} + \mathbf{0.096 \times CSR2} - 0.034 \times CSR3 + 0.083 \times CSR4 + \varepsilon_{t,} \quad (4)$$

where: $S3$ – dependent variable (the perception of the emotional future of the company); CSR1,..., CSR4 – independent variables (CSR indicators); $\varepsilon t$ – random error.


The VIF test values did not show the presence of multi-collinearity in the RM (see Table 5). Homoscedasticity was confirmed (BT: p-value = 0.156). Normal distribution of errors was confirmed for RM by S-W test (p-value = 0.287). H3 was partially supported.

## 5. Discussion

The results of this case study on SMEs in the CE countries showed medium-strong dependencies between CSR indicators, especially in the positive dependence between the companies' ability to gain competitive advantage on the market (and higher customer loyalty) and a good reputation (and new opportunities) by the implementation of CSR ($r$ = 0.791).

CSR indicators such as the knowledge of the concept of CSR and its assertion in business ($\beta$ = 0.118) and the fact that CSR enables to gain a competitive advantage on the market (and higher customer loyalty; $\beta$ = 0.166) have a positive influence on the system of customer care in the SME segment. The knowledge of the concept of CSR and its assertion in business has a less positive impact. The system of customer care in the SME segment is not determined by the indicators (1) CSR enables to gain a good reputation and (2) CSR enables to attract satisfied (loyal and motivated) employees.

As findings have indicated, applying CSR practices create a positive image of the business and leverage customer satisfaction. This result is consistent with prior research showing that the overall image of the business, customer retention, its sales increase and costs decrease (Galbreath and

Shum, 2012; Saeidi *et al.*, 2015). Usually, customers accept to pay higher prices for products offered by enterprises which are socially responsible (Ali *et al.*, 2020). Taking into account the above association, it can be said that SMEs may benefit by applying CSR practise. Hence, building a good image for enterprise and being socially responsible may lead to not having the actual number of customers, but also increasing it. Having more clients that are willing to buy the business products is the ultimate aim of every entrepreneur.

The knowledge of the CSR concept has a positive impact on the innovations of SMEs (β = 0.090). The innovations of SMEs is not determined by the indicators (1) CSR enables to attract satisfied (loyal and motivated) employees, (2) CSR enables to gain a good reputation and new business opportunities, and (3) CSR enables to gain a competitive advantage (and higher customer loyalty) on the market.

Even though the effects of CSR practices are studied more for large enterprises, SMEs can by very innovative by being social responsible. The current research finding showed that CSR practices by SMEs is positively associated with innovation. Hence, the way how SMEs implement CSR practices may be very innovative. This relationship can by supported by the fact that social entrepreneurship operates by utilising different resources and capabilities to offer a certain product. Usually, social entrepreneurship may be not a large enterprise. This explanation brings to the fact that even SME may benefit in innovation by using putting in place CSR practices. Our finding regarding the relationship between CSR and innovation is supported by the existing literature (Martinez-Conesa *et al.*, 2017; Surroca *et al.*, 2010).

CSR enabling to gain a good reputation and new business opportunities ($\beta = 0.096$) and the knowledge of the concept of CSR ($\beta = 0.094$) have a positive influence on the perception of the emotional future of the company. CSR enabling to gain a good reputation (new business opportunities) is the strongest CSR indicator. The perception of the emotional future of a company is not determined by other CSR indicators.

Building strategies and policies which are rooted in the CSR activities can ensure business continuity over time (Ahn and Park, 2018). Similar to Brooks (2016), who have demonstrated that involving in CSR activities can reduce the chances of business bankruptcy, our research have indicated that business sustainability can be achieved by implementing CSR practices. This linkage is of a particular interest to all types of businesses as it informs a way of avoiding business failure (Çera *et al.*, 2019). Hence, business sustainability (seen as avoidance of bankruptcy) is a status that SMEs can reach by implementing practices related to social responsibility.

## 6. Conclusion

The aim of the paper was to evaluate the impact of indicators of the social responsibility concept on the sustainability of SMEs in CE. The results of the research confirmed that the knowledge of the corporate social responsibility concept and its implementation by entrepreneurs in their business management positively affects the perception of SMEs' sustainability.

The aim of the article was verified on an empirical sample of 1,585 SMEs in four CEuropean countries. Data collection from SMEs was carried out before the onset outbreak of the COVID-19 epidemic in Europe. This may have influenced the attitudes (evaluation) of individual respondents to selected statements of the questionnaire. The location of research also has its limitations, but provided an opportunity to cooperate with not only Western-European researchers, but also those from other continents.

The present research offers useful insights over the benefits of applying CSR practices in the SME context. Firstly, its theoretical contribution is in the light of extending the literature beyond the standard borders by implementing CSR activities by large companies, but introduction these practices to SME too. As mentioned earlier, CSR in the SME context has received not much attention in the research community (Bansal and Hoffman, 2012; Johnson, 2015). From this perspective, our paper enriches the literature considering the attention scholars have given to this subject.

Secondly, from the managerial point of view, it is of a particular inters identifying whether the application of CSR practices and activities lead to business sustainability or not. Given this importance, the current work have shown that business sustainability can be reached by implementing CSR practices. Hence, by adopting CSR practices and activities, SME may attract more customers, become more innovative, and avoid bankruptcy. These three elements together give a sense over the business sustainability in general.

Thirdly, another implication of this work points to public policies. Although the rate of harmonizing environmental and social responsibility activities with the actual business activity is low across SMEs, government may raise awareness by implementing soft policies (Johnson, 2015). In this regard, government can envisage different activities with the aim to inform businesses about the benefits of CSR practices through different initiatives such as educational activities including trainings, seminars, conferences, delivering relevant information through websites, brochures, and leaflets. The way how local and national government can be by following an approach that includes business networks such as business associations. Aligning the strategies and activities of these two institutions may increase the awareness among SMEs related to the pros and cons of applying practices and activities of environmental and social responsibilities.

This research is not free of limitations. Firstly, the data was collected by asking the owners/managers of the enterprises to self-report their opinion on selected indicators. Thus, their responses were subject to recall and not strictly following the financial statements or other managerial documents. However, there is a consolidated body of research in the field of CSR using such way of measuring CSR (Ali *et al.*, 2020; Maignan and Ferrell, 2000). Secondly, the present study used a not a standard way of measuring business sustainability. Nevertheless, further research may contribute to overcoming this limitation.

In the future, the authors would like to verify the impact of i. the strategic management in the company; ii. ability to sell their products (services); iii. competition in the business segment; iv. employee turnover and error; v. legislative changes; vi. ability to understand basic legal aspects of the business; vii. usability of corporate capacities; viii. relationships with suppliers or customers affecting the sustainability of SMEs in the countries of CE.

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Table 1: Descriptive characteristics of CSR indicators and sustainability of SMEs

| CSR | CSR indicators | M | SD | S | K |
|---|---|---|---|---|---|
| CSR1 | I know the concept of corporate social responsibility (CSR) and assert it in business. | 2.467 | 1.125 | -0.210 | 0.566 |
| CSR2 | Implementation of CSR enables our company to gain a competitive advantage in the market and higher customer loyalty. | 2.772 | 1.088 | -0.330 | 0.290 |
| CSR3 | CSR enables our company to gain reputation and new business opportunities. | 2.733 | 1.101 | -0.346 | 0.349 |
| CSR4 | CSR enables our company to attract satisfied, loyal, and motivated employees. | 2.739 | 1.081 | -0.316 | 0.324 |
| S | Sustainability of SMEs | M | SD | S | K |
| S1 | Our company uses innovative ways to win new markets and retain existing customers. | 2.605 | 1.064 | -0.553 | 0.327 |
| S2 | We place great emphasis on the innovation of our products and services, and it is positively reflected in the stability and performance of the company. | 2.401 | 1.017 | -0.366 | 0.420 |
| S3 | There is no risk of bankruptcy for our (my) company within 5 years. | 2.346 | 1.130 | -0.221 | 0.649 |

Note: M – Mean; SD – Standard deviation; S – Skewness; K – Kurtosis. Source: own data collection.

Table 2: The dependence between selected variables

| | S1 | CSR1 | CSR2 | CSR3 | CSR4 |
|---|---|---|---|---|---|
| S1 | 1 | | | | |
| CSR1 | 0.249* | 1 | | | |
| CSR2 | 0.281* | 0.552** | 1 | | |
| CSR3 | 0.252* | 0.545** | 0.791*** | 1 | |
| CSR4 | 0.235* | 0.526** | 0.697*** | 0.782*** | 1 |

Note: * Statistically significant correlation on the level of significance ($\alpha = 0.05$); ** Statistically significant correlation on the level of significance ($\alpha = 0.01$); *** Statistically significant correlation on the level of significance ($\alpha = 0.000$); S1 – dependent variable; CSR1, CSR2, CSR3, CSR4 – independent variables. Source: own data collection.

Table 3: Verification of the impact of CSR indicators on S1

| Regression characteristics | | | | | |
|---|---|---|---|---|---|
| MCC | | 0.304 | Adj.R² | | 0.090 |
| R² | | 0.092 | SE | | 1.015 |
| Verifications of the significance of LRM | | | | | |
| ANOVA | Df. | SS | MS | F- ratio | |
| Regression | 4 | 165.430 | 41.357 | 40.138 | |
| Residual | 1579 | 1626.964 | 1.030 | p-value | |
| Total | 1583 | 1792.393 | | 4.6E-32 | |
| Estimates and testing of the significance of β | | | | | |
| Independent variable | B | SE | t-Stat | t-Stat (p-value) | VIF |
| Intercept | 1.703 | 0.077 | 22.070 | 0.000 | - |
| CSR1 | 0.118 | 0.028 | 4.178 | 0.000* | 1.541 |
| CSR2 | 0.166 | 0.040 | 4.154 | 0.000* | 2.911 |
| CSR3 | 0.024 | 0.045 | 0.529 | 0.597 | 3.734 |
| CSR4 | 0.032 | 0.039 | 0.809 | 0.419 | 2.747 |

Note: Statistically significant indicator* ($\alpha = 0.01$). Source: own data collection.

Table 4: Verification of the impact of CSR indicators on S2

| Regression characteristics | | | | |
|---|---|---|---|---|
| *MCC* | 0.188 | *Adj.R²* | | 0.033 |
| *R²* | 0.035 | *SE* | | 1.000 |
| **Verifications of the significance of LRM** | | | | |
| *ANOVA* | *Df.* | *SS* | *MS* | *F- ratio* |
| *Regression* | 4 | 57.854 | 14.464 | 14.451 |
| *Residual* | 1579 | 1580.386 | 1.001 | *p-value* |
| *Total* | 1583 | 1638.24 | | 1.3E-11 |
| **Estimates and testing of the significance of β** | | | | |
| *Independent variable* | *B* | *SE* | *t-Stat* | *t-Stat (p-value)* | *VIF* |
| *Intercept* | 1.882 | 0.076 | 24.745 | 0.000 | - |
| **CSR1** | 0.090 | 0.028 | 3.231 | <0.001* | 1.541 |
| **CSR2** | 0.033 | 0.039 | 0.843 | 0.399 | 2.911 |
| **CSR3** | 0.082 | 0.044 | 1.855 | 0.064** | 3.734 |
| **CSR4** | -0.007 | 0.039 | -0.177 | 0.859 | 2.747 |

Note: Statistically significant indicator * ($\alpha = 0.01$);** ($\alpha = 0.1$). Source: own data collection.

Table 5: Verification of the impact of CSR indicators on S3

| Regression characteristics | | | | |
|---|---|---|---|---|
| *MCC* | 0.200 | *Adj.R²* | | 0.037 |
| *R²* | 0.040 | *SE* | | 1.109 |
| **Verifications of the significance of LRM** | | | | |
| *ANOVA* | *Df.* | *SS* | *MS* | *F- ratio* |
| *Regression* | 4 | 80.894 | 20.223 | 16.447 |
| *Residual* | 1579 | 1941.520 | 1.229 | *p-value* |
| *Total* | 1583 | 2022.414 | | 3.3E-13 |
| **Estimates and testing of the significance of β** | | | | |
| *Independent variable* | *B* | *SE* | *t-Stat* | *t-Stat (p-value)* | *VIF* |
| *Intercept* | 1.713 | 0.084 | 20.324 | 0.000 | - |
| **CSR1** | 0.094 | 0.031 | 3.055 | 0.002* | 1.541 |
| **CSR2** | 0.096 | 0.044 | 2.200 | 0.028** | 2.911 |
| **CSR3** | -0.034 | 0.049 | -0.692 | 0.489 | 3.734 |
| **CSR4** | 0.083 | 0.043 | 1.939 | 0.053*** | 2.747 |

Note: Statistically significant indicator * ($\alpha = 0.01$); ** ($\alpha = 0.05$); ***($\alpha = 0.1$). Source: own data collection.