

# COMPETITIVENESS OF CSR ACTIONS: LEARNING FROM THE CYPRIOT EXPERIENCE

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## Abstract

*Corporate Social Responsibility has been a term used for the last decade and has been asserted that by contributing to CSR a firm becomes competitive. Whilst it has been argued that CSR contribution does increase a company's profit there has been little work to develop a tool in assessing the CSR contributions made and the impact on competitiveness.*

*The current paper is identifying the areas SMEs in Cyprus concentrate their CSR contribution, the barriers and enablers making CSR possible as well as the tools used to evaluate the CSR contributions. The purpose is to identify the components so as to enable the research team of seven euro-Mediterranean countries to develop a tool on CSR competitiveness. This project is funded by the European Union.*

*Since Cypriot SMEs operate in a small country with the idiosyncrasies and needs of a small country tend to emphasise the community rather than the market needs. Given the financial crisis at the moment the barriers are not only lack of resources but also lack of knowhow. The owners of the companies tend to be the major enablers which is a strong point and the government is making every effort to assist them.*

**Keywords:** CSR Competitiveness, Cyprus, SMEs

## 1. Introduction

Corporate Social Responsibility relates to how the “companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis” (European Commission 2001). The Commission extended this expectation on CSR and in the Lisbon Strategy in 2005, the Commission stated that CSR “can play a key role in contributing to sustainable development while enhancing Europe’s innovative potential and competitiveness” (European Commission 2005). The Commission went even a step further and in their Integrated Guidelines for Growth and jobs “recommend to Member States to encourage enterprises in developing their corporate Social Responsibility” (European Competitiveness Report 2008:106).

Corporations, as argued by Porter and Kramer (2006:80), “will discover that CSR can be much more than a cost, a constraint, or a charitable deed- it can be a source of opportunity, innovation, and competitive advantage”. To do this however they need to embed in their strategic plan, the CSR actions and address the needs of the stakeholders by taking a long term perspective. CSR is an investment that will pay up in the long run, one does not rip the benefits in the short run. In this

report the author will illustrate that whilst the literature has demonstrated that CSR does exist, its linkage to actual improvement in competitiveness has not been achieved. However, companies have realised the benefits and are persisting to contribute towards CSR.

## **2. Literature Review**

As Vilanova et al. (2009:57) states, CSR has become one of the “central issues on the agenda of organisations today, but is still a long way from being a centre stage on corporate strategy”. As stated in the Cosmic Project (2009) in order for benefits to be derived from CSR, an organisation should try to achieve long-term internal stability and competitiveness. From an internal perspective an organisation ought to address the following areas: Mission, vision and leadership; Workforce activities; Marketplace activities; Supply chain activities; Stakeholder engagement; Community activities and Environmental activities (Cosmic 2009).

It was asserted in the European Competitiveness Report (2008:5) that “CSR is not so much about what enterprises do with their profit, but how they make that profit”. CSR is approached from different perspectives. It is approached from social performance (Carroll 1999), business ethics (Solomon 1993), corporate governance (Freeman and Evan 1990), social contract (Donaldson and Dunfee 2002), stakeholder management (Donaldson and Preston 1995).

Vilanova et al. (2009) has grouped CSR into five dimensions, these being: (a) Community relations, (b) Workplace, (c) Accountability, (d) Marketplace and (e) Vision. However many obstacles are placed on corporations that prohibit or at least do not encourage them to proceed with CSR. There are however a number of obstacles (Reich 1998; O’Brien 2001) placed which make companies hesitate to contribute towards CSR.

In this day and age reputation of a product or an organisation plays a major role in its survival. Stakeholder groups are becoming more sensitive to CSR issues and reputation “is a factor which affects the market value of companies” (Carlisle and Faulkner 2005:413). Good CSR “enhances reputation”, makes a company more attractive as an employer, staffs are more innovative and creative and this will lead to differentiation advantages over the competitor.

The European Commission (European Competitiveness Report 2008) states that the concept of competitiveness can be applied at different levels, from “the firm (micro) level, to the sectorial, regional and national (macro) level. At macro-economic level, competitiveness is taken to mean rise in the standards of living, whereas at micro level refers to the performance of a given industry in a given country or region relative to the same industry in other countries or regions. Francis (1989) states that “a firm is competitive if it can produce products or services of superior quality or lower costs than its domestic and international competitors”.

Considering the European Commission’s (European Competitiveness Report 2008) and Francis (1989) it is argued that in order for an organisation to achieve competitiveness at micro-economic level through CSR the following six parameters need to be considered:

1. Cost structure- achieving cost savings with the use of CSR e.g., applying energy saving methods.
2. Human resources- attracting, motivating and retaining employees, thus employee turnover rate is low.
3. Customer perspective- find methods to drive customer loyalty and demand e.g. encourage customers to pay premium price for environmental or social products or impose social procurement on suppliers.

4. Innovation- Using CSR to find new ways of working, new products, services, processes and new market space.
5. Risk and reputation management- enterprises are now under greater pressure and more scrutiny to embedded CSR practices. When organisations are forced to deal with transparency, human rights, supply chain management they are therefore forced to discover additional impacts of CSR
6. Financial markets- Investors analysts, creditors are now looking for corporate social investments, for information on intangibles and firms that look after their employees, customers etc because that would mean lower litigations.

Whilst some authors have argued that CSR is a “cosmetic effort on the part of the companies to respond to societal demands” (Vilanova 2009:59; Porter and Kramer 2006), others have found that CSR affects competitiveness (Chand and Fraser 2006), and some have suggested that competitiveness is one of the key drivers for adopting a CSR approach (Bansal and Roth 2000). Assessing the degree of competitiveness is not an easy task. Murths and Lenway (1998) have described competitiveness as the strength of an organisation in comparison to its competitors, and of course productivity was assumed to be a good indicator of competitiveness at a firm level (Porter 1985). More recently, Lowell (2007) has argued that tangible performance is inadequate as it does not take into account key competitiveness generating resources in the form of intangible capital as knowledge, relationships, reputation or talent.

As an alternative to the above and in an effort to use a framework taking into consideration flexibility, adaptability, quality as well as the dimensions asserted (Kay 1993; Mintzber 1993; Porter 1985; Barney 1991; Hamel and Prahalad 1989) Vilanova et al. (2008) proposed a model of competitiveness to address the following dimensions:

1. Performance, including standard financial measures such as earnings, growth or profitability
2. Quality, not only for products and services, but also the capacity to satisfy customer expectations
3. Productivity, in terms of higher production and lower use of resources
4. Innovation, including products and services as well as management process
5. Image, including corporate branding in terms of building trust and reputation

### **2.1 Applng CSR in a way to achieve competitiveness and ensure stakeholders’ needs**

O’Brien (2001) has developed a model which he refers to it as the socially anchored competency model, whereby the company’s core business competencies are examined to determine the potential impact on stakeholders. The core competencies serve as the primary input into the stakeholder analysis. “This allows managers to determine not only whether stakeholders are negatively affected by the company’s core businesses, but how competencies can be leveraged in innovative ways that maximize social benefits as well as benefits to the company’s business... it does require managers to define the core competencies, identify and assess any negative affect on key stakeholders, and determine ways competencies can be used to benefit the company’s stakeholders and businesses.” (p. 9)

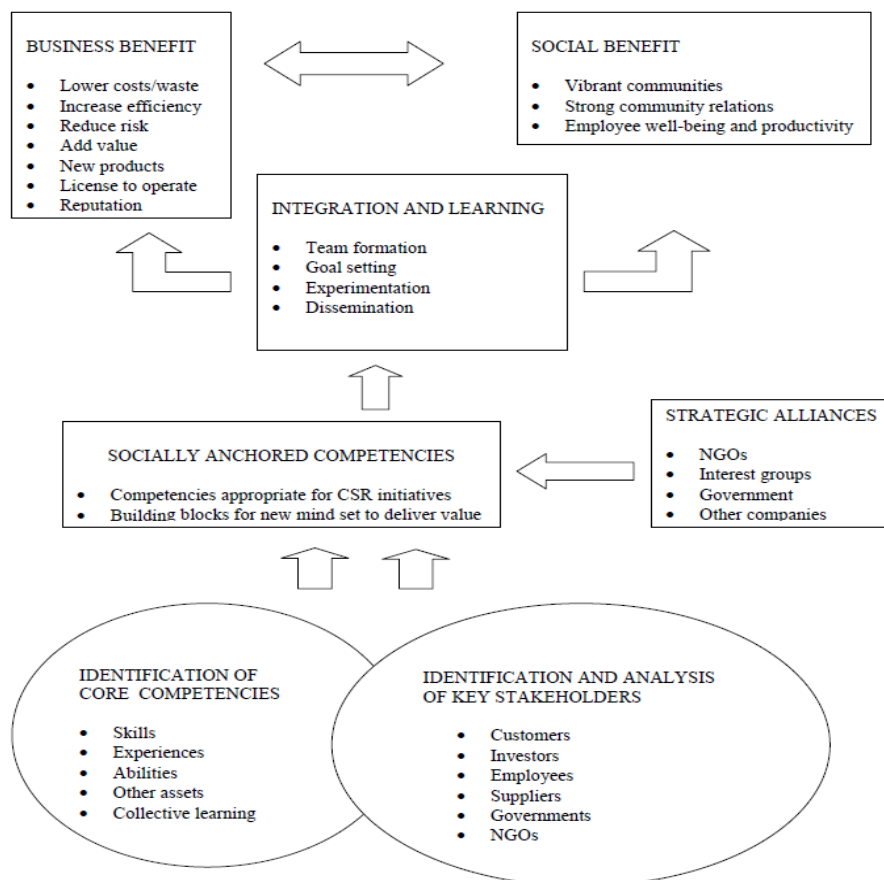
The model is presented below in figure 2 and it does indicate that in order for companies to integrate CSR and achieve competencies they need to identify their core competencies, the expectations of the stakeholders and build those together with strategic alliances in a integrated model to achieve both business and social benefits.

## 2.2 Stakeholders

Porter and Kramer (2006:78), argue that “governments, activists, and the media have become adept at holding companies to account for the social consequences of their activities”. O’Brien (2001:3) has argued that stakeholders are requiring companies to go beyond the notion of strategic philanthropy and international codes of conduct”. Investors want to see not only profit but they want to see these financial gains from the firm’s investments in CSR initiatives.

Companies can no longer be content to monitor only the obvious social impacts of today and ignore the social effects of tomorrow because if they do they risk their survival. Corporations need to address the needs of the human resources they use if they do not want to be left without workers, they need to ensure they not only comply with the rules and regulations imposed by the authorities but go beyond that and address social issues e.g. not only are they providing safe products but they ensure these products are environment friendly etc. Of course no business can solve all of society’s problems or bear the cost of projects that the authorities should have carried out but society expects of organisations to be given something back in return for the profits being made. A case that comes to mind is a few years back when one of the semi government organisations in telecommunications (CYTA) was criticised because it made huge profits and the government imposed a penalty on them. There was a public outcry for the profits made and as a result the organisation build a bridge on the main road where many school children crossed everyday on their way to school, offered money for research, gave free telephone cards to soldiers etc.

### SOCIALLY ANCHORED COMPETENCY MODEL



Source: O’Brien (2001:7)

Porter and Kramer (2006) have argued that corporations need to prioritise the social issues into generic social issues, value chain social impacts and social dimensions of competitive context. (see diagram 3 below). It is about identifying the particular set of societal problems that a corporation is best equipped to help resolve and from “which it can gain the greatest competitive benefit” (92). By creating such a corporate social agenda a corporation will look beyond community expectations to opportunities to achieve social and economic benefits simultaneously. Corporations need to “move from mitigating harm to finding ways to reinforce corporate strategy by advancing social conditions” (p. 85). In other words corporations need to apply responsive CSR i.e. acting as a good corporate citizen, “ attuned to the evolving social concerns of stakeholders, and mitigating existing or anticipated adverse effects from business activities”(p. 85). Good corporate citizenship goes beyond merely writing a cheque, it is about doing business differently from competitors and in a way that will lower costs or serve better customers.

| <b>Prioritizing Social Issues</b>  |   |   |
|--|---|---|
| <b>Generic Social Issues</b>   | <b>Value Chain Social Impacts</b>   | <b>Social Dimensions of Competitive Context</b>   |
| Social issues that are not significantly affected by a company's operations nor materially affect its long-term competitiveness. | Social issues that are significantly affected by a company's activities in the ordinary course of business. | Social issues in the external environment that significantly affect the underlying drivers of a company's competitiveness in the locations where it operates. |

Source : Porter (2006)

An idea proposed by Porter (1998) has been the development of Clusters. Clusters promote “both competition and cooperation. Rivals compete intensely to win and retain customers” (p.79) Corporations can also cooperate to have better access to employees and suppliers, access specialised information, one organisation complements another (e.g. in the tourism industry is not enough for a tourist to be satisfied with a hotel facility but be disappointed with the restaurant or leisure activities around the hotel). Clusters not only provide opportunities for innovation but also provide capacity and flexibility. Thus in small or developing economies if clusters are developed then CSR strategic plans could be introduced and benefit all the companies in the clusters.

### **2.3 CSR in Cyprus: Legislative and other framework**

As stated in the European Commission (2010) report many countries do not have a strategic document in place. This does not mean that they have not adopted an advanced approach to CSR. In Cyprus “the Planning Bureau is currently developing a National Plan on CSR. The government has prepared the terms of reference, which consist of two priorities. First, Cyprus wants to promote CSR as an aspect of the sustainable development of business and to develop measures to promote socially responsible investment, comprising interventions that contribute to social, environmental and economic responsibility by acting as a point of reference for the relevant policies. Particular emphasis will be given to further promoting socially responsible purchasing and investment by the government, enhancing transparency, promoting corporate governance and human resources development, energy saving and environmental protection, and combating poverty and social exclusion (p.13).

More specifically several initiatives (Bakalouris 2011) have already been undertaken by the Public Sector, either at an ad hoc basis in view of the crisis, or more permanent ones.

Such measures include: (a) the “In-company/On the job training programme” (b) Schemes Providing Incentives for Hiring Disadvantaged Individuals and Individuals with Disabilities (c) a Project co-financed by the European Social Fund, which aims at reducing the gender pay gap between men and women, (d) The Department of Labour Inspection promotes CSR in the sector of Occupational Safety and Health.

“In order to promote sustainable production and consumption patterns the Cypriot government continues to provide grants to support the introduction of EMAS. The aim is to improve the environmental performance of organisations in all sectors through the implementation of the scheme. The initiative, among other things, covers the costs of consultancy for establishing EMAS that result from the verification and validation of the system. Cyprus also continues to financially support the promotion of the EU Ecolabel” (European Commission 2010:35). Furthermore, in order for Cyprus to promote emission reductions by businesses, Cyprus launched a comprehensive initiative in 2009. A Charter of Climate Change was launched and in addition an IT tool has at the time of writing launched to enable companies to trace all energy savings activities they have undertaken and to measure the amount of emission reductions they have achieved. It measures the decrease of their carbon footprint (in tons of Co<sup>2</sup>).

As far as reporting of CSR, Cyprus does not have any specific requirements. It does however indirectly through it’s Corporate Governance Code 2002 has a requirement that listed companies should disclose in their annual report a corporate governance report.

Based on an earlier research (Doukakis et al. 2005; Krambia-Kapardis 2007) 95% of businesses who responded to the survey were contributing towards CSR and 82% of those believed that there is a direct connection between profit and CSR’ (p. 271). Most respondents expressed the view that CSR in Cyprus began between 1981-1990, even though they did not think it was CSR at the time. The emphasis of CSR in Cyprus appeared to be towards the employees (35%) , consumers (26%) and community (10%), environment (6%), investors (5%), suppliers (4%) and other 14%. Like other European companies however, the Cypriot companies contributing towards CSR lack strategic planning and do not measure the benefits derived from CSR. It is evident therefore that companies in Cyprus have been contributing to CSR for almost a decade.

### **3. Methodology**

Seven Euro-Mediterranean countries including Cyprus are currently funded by the Med programs of the EU to identify a tool in testing CSR contributions and determining their competitiveness. In order to develop the tool the researchers had to carry field work in each country to answer a number of research questions. Thus in this paper the research findings are those relating to Cypriot SMEs. A questionnaire was developed and pilot tested by the research team and then each country had to identify 20 SMEs and 3 institutions and carry out interviews.

Cypriot companies have began in recent years to take CSR more seriously and to realise that CSR is not simply helping out the poor, the orphans and the government when they needed to build a bridge or a park but to form strategic plans, appoint an employee responsible for CSR and prove that they are ethical. Two Charters were set up one following a European project and the other being an initiative of the Cyprus Chamber of Commerce and Industry. The former, the European Road Safety Charter was signed by 63 companies and the latter, the Climate Change signed by 55 companies.

In reference to Companies (SMEs) in Cyprus who are active on CSR the following research questions are to be answered:

1. What are the objectives in the implementation of the companies of their CSR actions and policies?
2. What motivates the companies to contribute towards CSR?
3. Are there any supports for the companies in implementing CSR policies?
4. Are there any links between CSR and competitiveness?
5. Are there any evaluation tools used in the implementation?
6. What are the barriers and the enablers of CSR policies and actions?
7. What are the lessons learned by the companies?

Once the State of Art and State of Practice was completed by each partner, a questionnaire was developed to be used on companies and organisations. The research team, had the questionnaire pilot tested and then distributed to 20 organisations and 3 public institutions. In order for the research team in Cyprus to identify which SMEs would be interested to participate the assistance of Cyprus Chamber of Commerce (CCC) was sought. The Chamber emailed all the companies in their database asking them to respond to an email and provide their details if they wanted to participate in the study. A total of 23 companies responded. Some of those were excluded because they were not SMEs and smaller one were excluded because they did not contribute towards CSR but wanted to find out what this tool is all about. The questionnaire was then emailed to the 20 companies wishing to participate and a face to face interview was organised March of 2011.

### **3.1. Survey Findings.**

#### **Demographics**

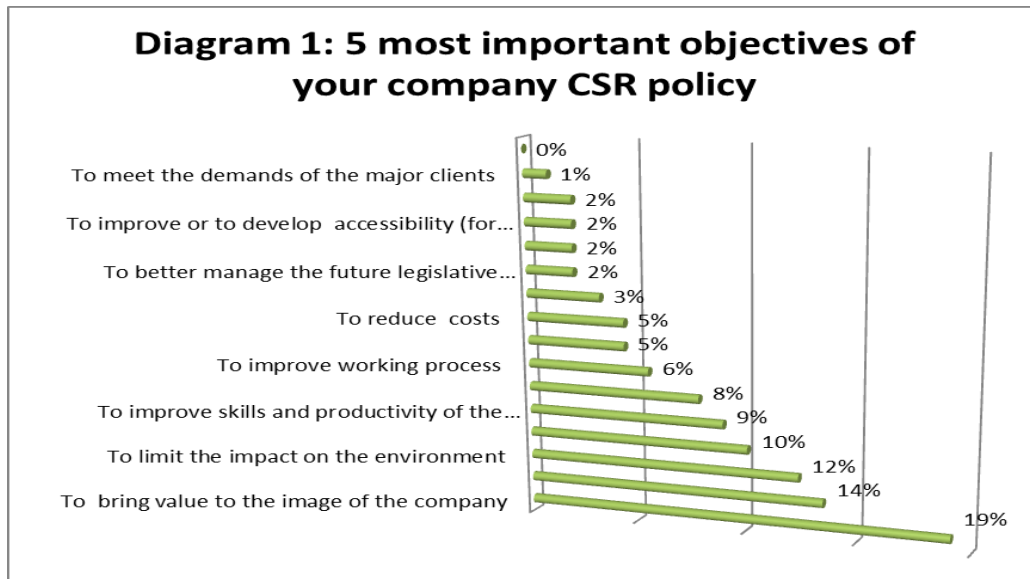
The 20 companies that took part in the survey were from the service industry (6), wholesale and trade (3), Agriculture and forestry (2), manufacturing (2), accommodation and food service (2), information and communication (2), financial and insurance activities (1), education (1), construction (1). For the 14 companies there is a person responsible for CSR and that person is in Marketing, Human Resources, Management, or Ownership position. For the majority (17) CSR is integrated in the company's strategy.

Research findings for the companies (#20) and institutions (#3) that responded to the questionnaire.

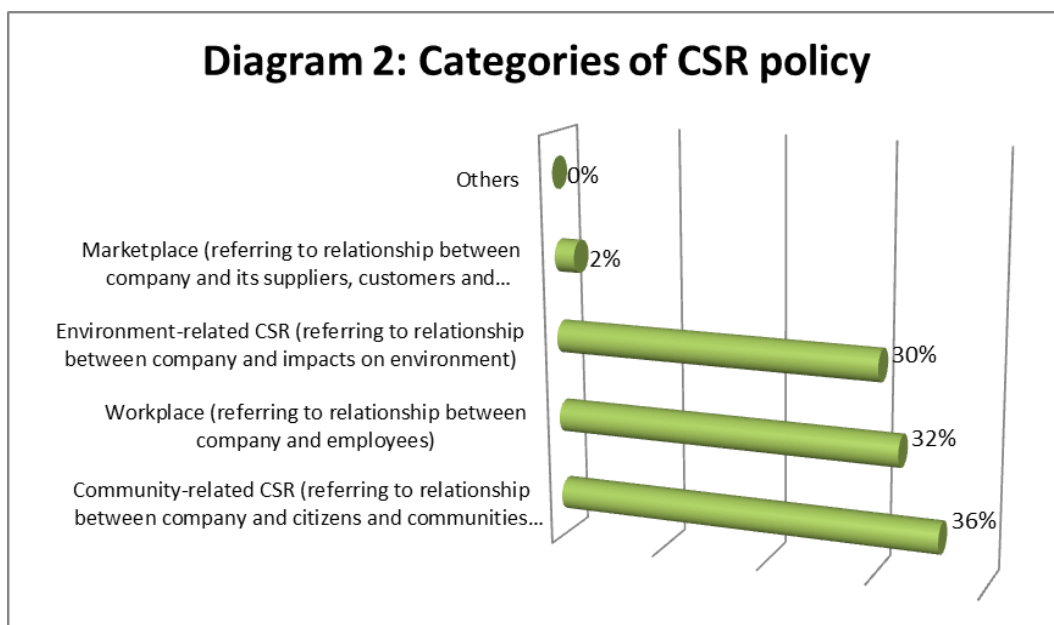
1. What are the objectives in the implementation of the CSR actions and policies?

The main objectives in implementing CSR actions for the companies are to: (a) bring value to the image of the company, (b) improve social relationships in the company, (c) to limit the impact on the environment, (d) to gain market share, (e) to improve skills and productivity of the employees, (f) to improve the intensity and quality of relationships with their stakeholders. (see Diagram 1)

For the institutions the objectives are centred around economic performances, improvement to the environment and opportunities to support the youth.



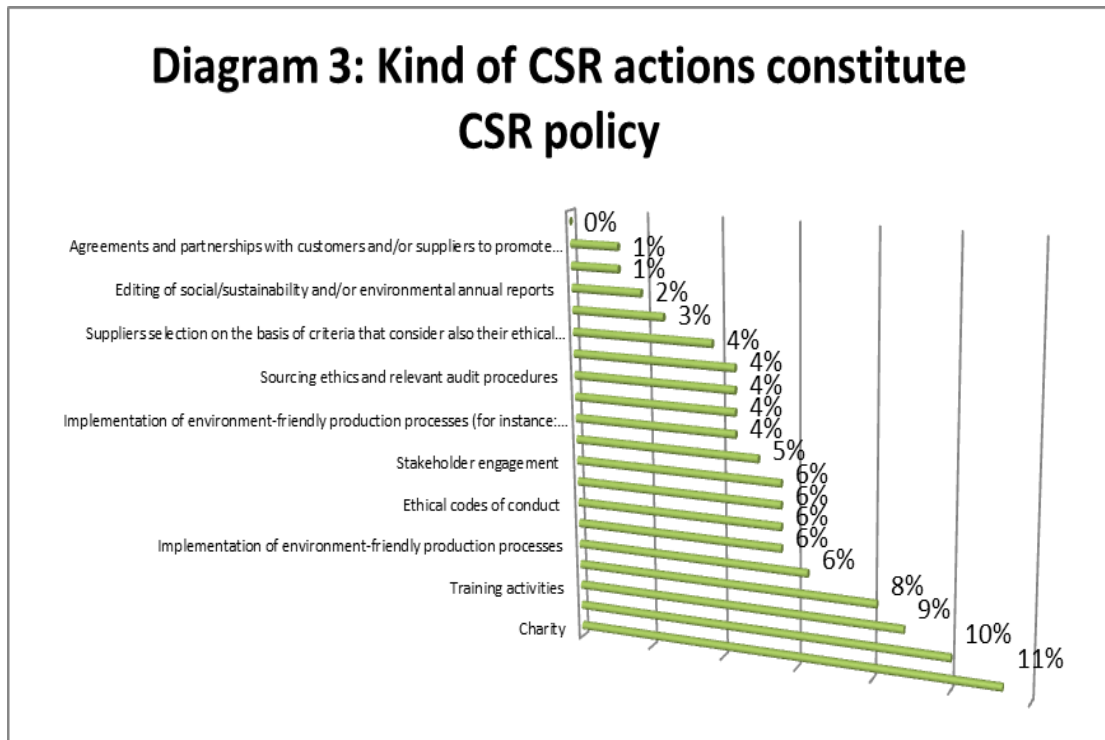
The companies tend to place a lot of emphasis in community related CSR, secondly on workplace CSR, environment and the least in the marketplace. This is in line with the Doukakis et al. (2005) survey. Indicating that the CSR idea has not changed much in six years' time. (See Diagram 2) For the institutions the most important category is the market place.



This is further reinforced because they place their CSR actions and policies in initiatives that favour the local communities, equal opportunities, and training activities. (see Diagram 3)

The institutions placed their CSR actions and policies on creating and endorsing partnerships.





2. What motivates the companies to contribute towards CSR?

The companies appear to be motivated primarily by internal rather than external motivations. The internal motivations of major influence are the Directors, the Board and of course the owner. Whilst the external motivations are mainly the national authority, and citizens. This is consistent with the fact that CSR policies are community driven rather than market driven.

The institutions are motivated by their own strategic goals and funding. In addition stakeholders and pressure groups for one of them appear to have a major role in motivate a local authority to be active in CSR.

3. Is there any support for the companies in implementing CSR policies?

Cypriot companies are provided with limited support for the implementation of CSR policy. Those that were supported, the assistance were mainly from a research department or expert or an associated company. The assistance provided was not financial. Those that were assisted by public organisations it appears that local authorities had a major role to play. Again this is consistent with earlier findings since Cypriot companies tend to focus on the community needs.

Non-Financial Assistance as support was granted to the institutions. The support varied from advice, training, promotion of social and green procurement

4. Are there any links between CSR and competitiveness?

The companies appear to contribute most in initiatives in favour of local communities, charities, ethical codes of conduct and equal opportunity in this order.

|   | Very strong contributions   | Least contributions   |
|---|---|---|
| <b>Labour Contribution Policy</b>                   | <ul style="list-style-type: none"> <li>• Increase in commitment, loyalty, motivation, morale</li> <li>• Increase in productivity</li> </ul>       | <ul style="list-style-type: none"> <li>• Participation in R&amp;D projects</li> <li>• Entrance in new markets</li> </ul>        |
| <b>Health contribution Policy</b>                   | <ul style="list-style-type: none"> <li>• Increase in commitment, loyalty, motivation, morale</li> <li>• Increase in productivity</li> </ul>       | <ul style="list-style-type: none"> <li>• Participation in R&amp;D projects</li> <li>• Entrance in new markets</li> </ul>        |
| <b>Training contribution policy</b>                 | <ul style="list-style-type: none"> <li>• Increase in commitment, loyalty, motivation, morale</li> <li>• Increase in productivity</li> </ul>       | <ul style="list-style-type: none"> <li>• Better recognition by society</li> <li>• Strengthening of community ties</li> </ul>    |
| <b>Equal contribution policy</b>                    | <ul style="list-style-type: none"> <li>• Increase in productivity</li> <li>• Improvement of image</li> </ul>                                      | <ul style="list-style-type: none"> <li>• Entrance in new markets</li> <li>• Participation on R&amp;D projects</li> </ul>        |
| <b>Adoption of Environmental Management Systems</b> | <ul style="list-style-type: none"> <li>• Improvement of image</li> <li>• Anticipation of new regulations</li> </ul>                               | <ul style="list-style-type: none"> <li>• Entrance in new markets</li> <li>• Improved response to tender requirements</li> </ul> |
| <b>Environmental friendly production process</b>    | <ul style="list-style-type: none"> <li>• Improvement of image</li> <li>• Modification of internal values</li> </ul>                               | <ul style="list-style-type: none"> <li>• Entrance in new markets</li> <li>• Increase in innovation</li> </ul>                   |
| <b>Ethical codes of conduct</b>                     | <ul style="list-style-type: none"> <li>• Improvement of image</li> <li>• Modification of internal values</li> </ul>                               | <ul style="list-style-type: none"> <li>• Participation on R&amp;D projects</li> <li>• Entrance in new markets</li> </ul>        |
| <b>Sourcing ethics</b>                              | <ul style="list-style-type: none"> <li>• Modification of internal values</li> <li>• Increase of commitment loyalty, motivation, morale</li> </ul> | <ul style="list-style-type: none"> <li>• Participation in R&amp;D projects</li> <li>• Entrance in new markets</li> </ul>        |
| <b>Environmental protection</b>                     | <ul style="list-style-type: none"> <li>• Improvement of image</li> <li>• Modification of internal values</li> </ul>                               | <ul style="list-style-type: none"> <li>• Entrance in new markets</li> <li>• Improvement of product quality</li> </ul>           |
| <b>Charity contribution</b>                         | <ul style="list-style-type: none"> <li>• Strengthening of community ties</li> <li>• Improvement of image</li> </ul>                               | <ul style="list-style-type: none"> <li>• Increase in innovation</li> <li>• Participation in R&amp;D projects</li> </ul>         |
| <b>Initiatives in favour of local communities</b>   | <ul style="list-style-type: none"> <li>• Improvement of image</li> <li>• Better recognition by society</li> </ul>                                 | <ul style="list-style-type: none"> <li>• Increase in innovation</li> <li>• Anticipation of new regulations</li> </ul>           |
| <b>Fair Trade</b>                                   | <ul style="list-style-type: none"> <li>• Better recognition by society</li> <li>• Improvement of image</li> </ul>                                 | <ul style="list-style-type: none"> <li>• Increase in innovation</li> <li>• Participation in R&amp;D projects</li> </ul>         |

Comparing the results of the same research conducted by the other Euro-Mediterranean Partners with the findings of the current study one can better understand where Cypriot SMEs stand. Some examples for the above are the following: CSR 'Labour Contribution Policy' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 3.01/5 in the MED Area while in Cyprus it contributes on average 2.67/5, regarding 'Health Contribution Policy' actions by the SMEs contribute on average to the global competitiveness of the company for a factor 2.63/5 in the MED Area while in Cyprus it contributes on average 2.31/5, CSR 'Equal Contribution Policy'

actions by the SMEs contribute on average to the global competitiveness of the company for a factor 2.72/5 in the MED Area while in Cyprus it contributes on average 2.94/5, also CSR 'Adoption of environmental MGMT systems, standards and regulations' actions by the SME s contribute on average to the global competitiveness of the company for a factor 3.14/5 in the MED Area while in Cyprus it contributes on average 2.62/5

5. Are there any evaluation tools used in the implementation?

The majority of the respondents do evaluate their CSR policies. The performance measure used relates to brand reputation, product quality, market position, and cost savings. To evaluate their CSR policies they use questionnaires, mainly qualitative performance measures. The evaluation process is predominately internal. For those who use external evaluation procession they use an evaluation agency.

The majority of the respondents do not use any guide, website or book to help them start CSR. For those who do use tools, the tools used to assist in intensifying their CSR development are: EU manuals on road safety, GRI, AA1000, ISO 26000, EMAS or guidelines set up the Head Office.

The tools that could be used to intensify CSR are:

- A CSR forum or a local panel for CSR
- A management tool in measuring and monitoring performance
- A tool that evaluates and measures the effectiveness of CSR actions
- CSR handbook, consultation or a person in Charge of CSR
- Personnel training for CSR
- Training, Seminars, a local forum for promoting CSR

6. What are the barriers and the enablers of CSR policies and actions?

The barriers encountered by the respondents were mainly lack of expertise, and lack of financial resources. In addition the government bureaucracy appeared to be a major barrier for the Cypriot companies.

The enablers appeared to be the Board, the owner's ideology and the local authorities.

Barriers were faced by some institutions from opposing interests, public opinion, financial crisis, and internal politics. Enablers were the vision and planning of the organisation, the interests by SMEs to invest in CSR and assist the local authority to do so and the well versed employees.

7. What are the lessons learned by the companies?

The lessons learned from the implementation of CSR are:

- Any contribution to CSR programs is always beneficial
- By implementing CSR one gains awareness, satisfaction, appreciation and value
- CSR actions are appreciated.
- CSR increases the brand value of the bank. It also bring better recognition by society
- CSR programs get a positive response from the public
- Commitment from Top Management is crucial
- It gives great satisfaction
- It helps to get feedback from their Associates and the Society: Having a CSR strategy is necessary.
- It is a good Public Relations tool.
- It is always deeply appreciated.
- It is always helpful to be involved in such activities
- It is never enough

- It is something that can be easily implemented
- The company learned to communicate with young people
- There is not yet enough interest in CSR
- You have to communicate your policy

In addition to the quantitative study a qualitative study was carried out to identify good practices that perhaps other companies can replicate or get ideas from.

#### 4. Conclusion

It can be concluded that in Cyprus the SMEs that are active in CSR place emphasis on the community and the workplace. This is understandable given the size of the country. It is part of the culture of the enterprises that you need to help out the local community and this will add value to the company. However the institutions tend to be driven by economic performances and the environment, which is quite understandable since the Board of a local authority or a public body is appointed on actions implemented.

The SMEs' main objectives in implementing CSR actions are focused on bringing value to the image of the company, improving social relationships in the company and attempting to limit the impact to the environment. The SMEs are motivated by internal rather than external factors such as Board and owners' decisions whereas the institutions are driven by the pressure groups and stakeholders.

Unfortunately no financial support is provided to either the SMEs or the institutions and there is lack of training on how they can be active in CSR actions. If an SME has the resources and knowhow as well as top management who are sensitive on CSR issues it will proceed to create CSR actions, otherwise it will not. The institutions do not have any tools that are currently being used to evaluate their CSR actions whereas the companies appear to be in somewhat informed on tools that can be used.

As Vilanova et al (2009:65) argues "CSR will become a truly strategic business issue when the financial sector in general and financial analysts in particular broadly use CSR criteria to evaluate firms". Until that is done SMEs and institutions will do the bare minimum.

*"Successful corporations need a healthy society. Education, health care, and equal opportunity are essential to a productive workforce. Safe products and working conditions not only attract customers but lower the internal costs of accidents. Efficient utilization of land, water, energy, and other natural resources makes business more productive. Good government, the rule of law, and property rights are essential for efficiency and innovation. Strong regulatory standards protect both consumers and competitive companies from exploitation. Ultimately, a healthy society creates expanding demand for business, as more human needs are met and aspirations grow. Any business that pursues its ends at the expense of the society in which it operates will find its success to be illusory and ultimately temporary" (Porter and Kramer 2006:83)*

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