RELATIONSHIP OF CORPORATE SOCIAL RESPONSIBILITY AND INNOVATION IN SMES: CASE STUDY IN SELECTED CEE COUNTRIES

[a]GÁBOROVÁ, IVANA

Pan-European University, Faculty of Economics and Entrepreneurship, Tematínska 10, 851 05, Bratislava, Slovakia
email: [a]ivanagaborova3@gmail.com

Abstract: CSR has grown in importance since the economic crisis of 2008. Businesses attempted to search for solutions of economic issues by trying to explore new ways of conducting their business, thus, the perception and efforts to exploit the potential of CSR concept changed dramatically. It might also be a way out of the upcoming crisis for many SMEs. Implementation of CSR via innovation or innovating via CSR might bring them more resilience in the upcoming unprecedented times. As shown by statistical analysis (structural equation modelling) of the empirical data from CEE region - Austria, Czech Republic and Slovakia (n=607), innovative SMEs don`t need to explicitly concentrate on CSR – its specific activities or reporting. The answer for SMEs lies in business strategy, innovation and sustainable business model.

Keywords: Corporate Social Responsibility, innovation, sustainability, business strategy, SMEs

1 Introduction

Corporate Social Responsibility (CSR) has become over the recent years, especially after the crisis in 2008, while seeking for solutions of ever increasing economic, social and environmental issues a stabile concept in business. Topic has drawn a lot of attention of researchers during the last two decades (Baumgartner, Ebner, 2010; Boucquet, et al. 2017; Christensen, et al., 2014; Gelbmann, 2010; Nidumolu et al., 2009; Porter, Kramer, 2011; Ramesh et al., 2019; Visser, 2010; Voegtlin, Greenwood, 2016). However, the importance of socially responsible way of doing business was already a topic of researchers much earlier in the 20th century (Arlow, Gannon, 1982; Barnard, 1958; Carroll, 1999; Davis, Blomstrom, 1975; Elkington, 1994). Thus, it can be stated that the notion itself is not new but the actual perception and application of CSR concept in business practice is different.

Nowadays, modern companies realize more and more the importance of the actual way they perform their business activities. The result is not the only thing that is important. The way how it was achieved has the same level of significance. Sensitivity of customers and stakeholders to these issues is increasing (Coombs, Holladay, 2015; Dawkins, Lewis, 2003; Guenster et al., 2011; El Ghoul et. al, 2017; Kim, Krishna, Danesh, 2019) and in addition, due to the exponential growth of technologies, they have much easier and instant access to relevant information about business practices. CSR is not only a value added to distinguish the business entity from its competition but a necessity for survival. Several studies in the past already proved positive relationship of CSR on financial performance (Anser et al. 2017; Lenz et al., 2017; Lev et al., 2010; Margolis, Walsh, 2003; Price, Sun, 2017; Ruggiero, Cupertino, 2018). CSR plays a key role in keeping the business sustainable, maintaining the competitiveness and general advancement of companies (Guenster et al., 2011; Lu et. al. 2019). Doing business responsibly and considering its impact is the way how to develop the business and keep it sustainable also from the long term perspective. In the contemporary management practice, the role of sustainable development comes more into focus and CSR is one of the ways how business can approach it proactively (Lu, et al., 2019).

Companies are gaining the ability to see CSR not only as unnecessary expense with no real impact but as a chance to bring their business to the next level. Perception of CSR as only a cost item that doesn`t bring any sustainable effect and persisting fear of it (Baumgartner, Ebner, 2010; Hwang, Kandampully, 2015) is not valid anymore. On the contrary, it can bring many financial benefits, become crucial element in company strategy, contribute to risk management and be a valuable addition in building business relationships (Heal, 2005). In order to be able to fully exploit the benefits of CSR concept, it is crucial to understand CSR as a business opportunity (Rexhepi et al. 2013) and make it an integral part of performed activities since the inital stage. It should be inseparable part of all business processes. Corporate social responsibility must be a way of doing business and not a partial goal. Proactive approach and being part of the business strategy is inevitable. Only reacting to already emerged situation and mitigating the negative consequenses of performed business activities - reactive approach to CSR, is not the ideal way of the implementation of this concept. This way, it has a lower chance of exploiting its full potential.

In the past, majority of research regarding CSR has been targeted at large companies. However, small to medium enterprises can have even higher impact due to their number and significance in the economy (employment or share on GDP). Their sustainable and ethical practices are less visible but their impact is equally relevant and meaningful. For this reason, empirical research of this study was targeted at SMEs. In addition, CSR is still considered to be a domain of large companies (Jenkins, 2004) and in addition, there is still lack of empirical data on CSR in SMEs (Perrini, et al., 2007) – especially in the CEE region that has been explicitly chosen for this study.

Results of empirical research (Gáborová, 2020) imply that innovative SMEs can have very strong CSR awareness including proactive approach towards its implementation into its business operations while still not concentrating on performing CSR activities as such. These relationships between innovativeness and CSR came out of the statistical analysis of the empirical data collected via questionnaire survey. Chi-square test confirmed the existence of the association and its strength was further confirmed by means of Cramer`s coefficient (n=607, selected CEE countries Austria, Czech Republic, Slovakia). This contribution aims to further investigate these relationships and confirm stated hypotheses by further statistical analysis through structural equation modelling (SEM).

This article is a contribution to scientific literature at both, theoretical and practical levels. Firstly, it looks at the issue of CSR from a different point of view and sees the solution of effective CSR implementation for SMEs in innovation and not in application of various models and structured approach in general. Secondly, article provides empirical data for currently less researched CEE region – specifically for Austria (AT), Czech Republic (CZ) and Slovakia (SK).

The rest of this article is organized into four chapters. In the second chapter, theoretical framework is explained and research questions and hypotheses are stated. Third chapter explains the methodology of research and in the fourth chapter, results of the statistical analysis of the empirical data were provided and discussed. In the last, fifth chapter of this contribution, main findings and conclusions are summarized.

2 Theoretical framework and hypotheses

CSR has become an important business agenda over the years and is continuously developing into a business trend of the current era with high potential to prevail also for the future. The question is in which form this will happen. Defensive or reactive CSR approach is slowly being replaced by more proactive compliance and managerial CSR in the direction of core strategic CSR (Middtun, 2009; Zadek, 2004). CSR has to become natural part of the business strategy and a core competency of top management. It cannot be ‘just tolerated’ because the company needs to have socially responsible public image.

2.1 Literature review

CSR concepts itself is very hard to define and measure. Results of the studies attempting to prove the relationships between CSR

concept and financial performance are still contradictory. Some proved positive but some studies also show negative relationship.

Table 1 Overview of research findings of relationships between CSR and financial performance

Year	Author	Positive relationship	Negative relationship	No relationship
1997	Posnikoff	✓		
1997	Wright, Ferris		✓	
1999	Teoh, et al.			✓
2003	Margolis, Walsh	✓		
2010	Lev, Petrovits, Radhakishan	✓		
2011	Gossling		✓	
2015	Meyer			
2017	Answer et al.	✓		
2017	Lenz et al.	✓		
2017	Price, Sun	✓		
2017	Varadajan, Kaul	✓		
2017	Boucquet	✓		
2018	Rugiero, Cupertino	✓		

Source: author`s own

As the empirical research on the relationship between CSR and financial performance of business entity lacks consistency in the scientific methodologies results also tend to be quite confusing and not enough conclusive. According to McWilliams and Siegel (2000) the methodologies used in the vast majority of published studies are too weak. Measures of CSR are too vague, inconsistent and not clearly defined (Wang, et al., 2016). This raises questions and doubts regarding the concept itself which could negatively contribute to the perception of CSR by managers. The fear that CSR might even compromise the profits is still prevalent (Hwang, Kandampully, 2015).

However, there are positive examples seen in the business practice that imply that it is possible to do business in responsible way without explicitly concentrating on it and in addition, also maintain good business results. Companies with direct proportion between CSR and business results have one thing in common and that is innovation. It serves as a mediator or as a driver (Anser, Zhang, Kanwal 2017; Boucquet 2017; Gáborová, 2020; Marin, Martin, Rubio, 2016; Ruggiero, Cupertino, 2018, Surocca et al., 2010). This assumption takes the importance of equation innovation = idea + realization into consideration (Schrage, 2004). Innovation is not what company produces but what the customers are willing to buy and use. Innovation takes a crucial role in this process as any business idea can only be transformed into innovation if it is successful on the market. CSR cannot be ommitted in this process as both customers and business stakeholders are nowadays sensitive to these issues (Tur-Porcar, 2018; Yoo, Lee, 2018). Actual necessity of innovation and its role in the successful business leads to the assumption that companies, especially SMEs can engage in CSR without having a conscious and structured approach to it.

Another contribution to currently prevalent unstructured approach to CSR in SMEs is the absence of the need to disclose and report on CSR to such an extent as large companies do. The less disclosure, the less structured approach is needed. Large companies, due to its high visibility, stricter legal obligations or need of reporting and disclosure mostly need to apply different methodology than small to medium enterprises. SMEs can afford more flexible approach and can find their own way of CSR concept implementation easier. Large companies are more legally bound, since 2018, non-financial reporting has become mandatory for public interest companies with more than 500 employees (European Commission, Non-financial reporting, 2017). This forces them into more structured methodologies and a necessity to use pre-defined metrics that can be reported or benchmarked easily.

SMEs, unlike large companies, have more freedom in getting to the required results but the requirements on them from customers or stakeholders are very similar. However, SMEs see their CSR from different angle and have different nature and content (Dias et al., 2019; Morsing, Perrini, 2009). What works for large companies, such as various complicated model applications, is not suitable for small to medium enterprises. SME is not a "*little big company*" (Tilley, 2002) and can implement the practices of large companies only in different extent (Morsing, Perrini, 2009). SMEs can engage in CSR in many different ways with meaningful results. What cannot be overlooked is the fact that CSR legislation is more directed at large companies than SMEs which means their motivation for conducting socially responsible business is driven more by internal motivational factors than external and the need to bring visible results for the business itself (Arend, 2014; Moneva, Hernandez-Pajares, 2018; Nejati, Amran 2009; Santos, 2011).
Research presented in this article, supported by statistical evaluation of the empirical evidence implies that indeed SMEs don`t necessarily have to engage in structured CSR activities, use pre-defined metrics or apply specifically targeted policies and still achieve good results in their CSR.

2.2 Hypotheses

This scientific contribution aims to answer the following research questions arising from the above mentioned literature review and assumptions done based on the experience from business operations of SMEs:

1. Is there a direct proportion between high CSR engagement of SMEs and structured approach to it?
2. Do innovative SMEs that use pre-defined metrics engage more in CSR?
3. Does regular conducting of CSR activities influence level of CSR engagement in innovative SME?
4. Does implementation of targeted CSR policies significantly influence level of CSR engagement in innovative SME?

Research was based on the empirical data collected via questionnaire survey in selected CEE countries, namely Austria, Czech Republic and Slovakia. This region was selected for research from few reasons: knowledge of the region and SME market of the author, lack of empirical data on this topic from selected countries and recent formation of new geopolitical cooperation cluster in CEE region called S3 or Slavkov Triangle (fomed by Austria, Czech Republic and Slovakia in 2015).

Based on the research questions, three hypotheses were formed in order to validate the necessity of structured approach to CSR including specifically pre-defined CSR metrics usage, realization of CSR activities and implementation of targeted CSR policies.
CSR is considered to originate in large companies as they are more exposed to attention from both general public and from the media (Dias et al., 2017; Jenkins, 2004). Small to medium enterprises are crucial contributors to the economy. They are flexible innovators who can help recover the economy especially in the times of economic crisis. This flexibility helps them to integrate CSR into their core processes while still having some drawbacks in PR or reporting of CSR whereas large companies often exceed the expectations in reporting and promotion but face difficulties in implementing CSR into many of their core business processes (Baumann-Pauly, et al., 2013; Lepoutre, Heene, 2006). Being less effective in promotion of CSR doesn`t mean that it is less effective or meaningful for the wellbeing of the whole society.

H1: Innovative SMEs can be highly socially responsible despite applying unstructured approach to CSR.

By validating H1, necessity of structured approach to CSR in SMEs is to be questioned. Results of statistical evaluation of empirical data of the initial study (Gáborová, 2020) show that there is a significant relationship between innovation performance and CSR of SMEs. However, few exceptions were discovered. Statistical testing via chi-square and Cramer`s coefficient imply that there is no association between regular conducting of CSR activities to mitigate social or environmental impacts of business operations and planning and monitoring of CSR through pre-defined metrics with innovativeness of SMEs. Survey was performed in three selected CEE countries (AT, CZ, SK). Results were collected via questionnaire survey consisting

of 47 questions and a final sample was 607 respondents (n=607) (Gáborová, 2020).

This contribution aims to look closer at this issue. Goal is to verify the implications of previous study and see if the outcome would be different – if indeed implementation of pre-defined metrics, usually with the purpose of detailed and extensive reporting and regular conducting of CSR activities do significantly influence the relationship of innovativeness and CSR of SMEs.

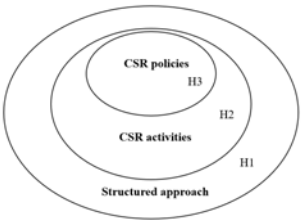
H2: Correlation between innovativeness of SME and conducting CSR activities is low.

The goal of confirming the second hypothesis is to prove that innovative SME can demonstrate high CSR engagement also without having to conduct specific CSR activities, mostly with the purpose to mitigate the impacts of their business operations on either environment or social impacts on the community where the enterprise operates. Moreover, confirming H2 is supposed to demonstrate the need of the CSR to be included in the strategy and that a successful and innovative enterprise has socially responsible way of doing business incorporated into their nature – core values and business strategy.

H3: There is no need for innovative SME to apply specific CSR policies in order to have high CSR engagement.

Companies tend to apply various policies with regards to CSR such as anti-corruption policies, procurement policies or implementing code of conducts. Confirming H3 is supposed to show that for innovative SMEs with CSR incorporated in their business strategy, implementing special CSR policies can be obsolete.

Figure 1 Illustration of hypothesis development



Source: author`s own

3 Methodology of research

Getting reliable and trustworthy information on both CSR and innovation is not easy. In SMEs, it is even more problematic as they are not disclosing such a level of information as large companies do. For this reason, questionnaire survey was chosen as the most feasible method of collecting empirical data. For sure, surveys have its limitations, such as non-response, insufficient knowledge of the studied subject by respondents, clarity of questions, cultural differences of respondents in researched countries, truthfulness or relevance of the respondent`s answers. However, despite these limitations, questionnaire survey has been considered as the most appropriate method of data collection for the purpose of this study.

3.1 Questionnaire

Questionnaire consisted of 47 questions divided into four main sections. Section A – General (subject identification, questions 1- 5), section B – Innovation (questions 6 – 21), section C – CSR (questions 22 – 44) and section D – Enterprise maturity (questions 45 - 47). Section B, C and D (all questions besides subject identification questions) were measured by Likert scale with five points, namely: 1 strongly disagree, 2 disagree, 3 neutral, 4 agree, 5 strongly agree.

Questionnaire attempts to cover all important topics on innovation, CSR and enterprise maturity so that the collected data are able to provide clear and structured input that can be further statistically evaluated.

3.2 Sample selection and data collection

Validity of the questionnaire was tested in a pilot study on a sample of 30 respondents (randomly selected from all three countries) that were excluded from the final sample. After the initial quality test of the questionnaire, only minor changes were done.
Questionnaire was distributed to the managers of randomly selected SMEs in three selected CEE countries – Austria, Czech Republic and Slovakia. Final sample consisted of 607 responses (n=607).

Table 2 Structure of respondents (n=607)

Country	Small enterprises (10-49 employees)	Percentage (%)	Medium enterprises (50-249 employees)	Percentage (%)	Sample size/country
Austria	143	70.79	59	29.21	202
Czech Republic	140	69.31	62	30.69	202
Slovakia	145	71.43	58	28.57	203
Total	428	70.51	179	29.49	607

Source: author`s own

Responses were collected during the six months period between January and June 2019. Survey has been targeted at small to medium enterprises. Due to insufficient complexity of CSR activities necessary for the purposes of this research, micro enterprises with 0 to 9 employees were excluded.
As for the structure of respondents in terms of industry, nearly all industries were covered (based on NACE coding), however, vast majority came from the manufacturing field, wholesale and retail, trade; repair of motor vehicles and motorcycles and information and communication industries.

Table 3 Structure of respondents - industry

Industry	Percentage of respondents AT	Percentage of respondents CZ	Percentage of respondents SK
Manufacturing	22.8%	22.3%	25.1%
Wholesale and retail trade; repair of motor vehicles and motorcycles	20.3%	20.8%	24.1%
Information and communication	12.9%	11.4%	13.3%

Source: Gáborová, 2020

3.3 Statistical Analysis of empirical data

In order to statistically evaluate empirical data structural equation modelling (SEM) was used. This technique was chosen as a method of analysis of structural relationships between pre-set variables and constructs. It offers certain level of flexibility that was necessary for the purposes of this article – to test the suggested model (Hooper, et al. 2008; Kline, 2005).

Statistical analysis of collected empirical data from three countries of CEE region was processed in R software environment.

4 Results and Discussion

In order to validate three stated hypotheses, structural model was created and evaluated. Structural model was built based on the questionnaire, specifically on questions from sections B, C and D, as section A primarily serves for subject identification. The same model is used for statistical evaluation of empirical data in all three researched countries – Austria (AT), Czech Republic (CZ) and Slovakia (SK).

Model consists of three main constructs: innovation-oriented CSR, proactive innovation and innovation management.

Four items were excluded from the model (three from the first construct, one from the second construct) due to low loading values. Those were specifically items – Q12 (innovation culture tolerating failure), Q33 (CSR activities mitigating impact of business activities on local community), Q37 (CSR activities mitigating impact of business activities on the environment) and Q42 (predefined metrics usage). These items showed very low loading values (Q12: 0.539, Q33: 0.434, Q37: 0.385, Q42: 0.396). Item Q44 (anticorruption policies) was excluded as correlation between variables Q44 and Q43 (internal code of conduct) was nearly 1.0.

In the first step, quality of model fit has been evaluated. Chi-square/degrees of freedom with values less than 2 (Tabachnick and Fidell, 2007) show good fit, Comparative Fit Idex CFI and Tucker-Lewis Index TLI greater than 0.95 demonstrate very good fit (Hu and Bentler, 1999). CFI index is used by many authors in structural equation modelling as it is affected by sample size the least (Fan et al., 1999; Hooper et al. 2008). RMSEA has values lower than 0.05 which supports the validity of the created model. Cut-off value for considering a good fit is set at 0.06 (Hu and Bentler, 1999). To be able to state a good fit of the model SRMR should be lower than 0.08 (Kline, 2005).
It can be stated that the model is good fitting and consistent with the data – conditions as described above were met. Table 4 consists of data recommended by Kline (2005).

Table 4 – Quality of model fit

Country	AT	CZ	SK
Chi-square/ Degrees of freedom	1.493	1.277	1.580
Comparative Fit Index (CFI)	0.996	0.998	0.984
Tucker-Lewis Index (TLI)	0.995	0.998	0.984
RMSEA	0.050	0.037	0.054
90% confidence interval for RMSEA - lower	0.043	0.029	0.047
90% confidence interval for RMSEA - upper	0.056	0.045	0.060
Size of confidence interval for RMSEA	0.013	0.016	0.013
P value (H0: RMSEA<=0,50)	0.542	0.998	0.174
SRMR	0.034	0.028	0.052

Source: author`s own – based on empirical research

Validation of the intensity of influence of an item (question of the questionnaire) on the construct was performed as the next step. As it can be seen from table 5, all values are > 0.7 (recommended value by Hooper et. al. 2008), which is a minimum required absolute value so that the influence of an item on a construct can be considered as positive and valid.

Table 5 Intensity of the influence of items on constructs

		Loading		
Construct	Item	**AT**	**CZ**	**SK**
Innovation-oriented CSR				
	Q19 Process innovation	0.950	0.935	0.853
	Q20 Value associated with process innovation	0.938	0.937	0.862
	Q21 Marketing innovation	0.866	0.844	0.566
	Q22 Sustainability	0.958	0.970	0.920
	Q23 Transparency of supply chain	0.926	0.869	0.820
	Q24 Transparency of procurement process	0.944	0.893	0.884
	Q25 Effectivity of risk management	0.812	0.907	0.702
	Q26 Impact on local community	0.976	0.943	0.796
	Q27 Employee satisfaction and loyalty	0.966	0.960	0.901
	Q28 Customer satisfaction and loyalty	0.937	0.949	0.933
	Q29 Adherence to health and safety regulations	0.924	0.931	0.859
	Q30 Open and responsible communications	0.971	0.944	0.910
	Q31 Talent management	0.909	0.921	0.819
	Q32 Diverse workforce	0.930	0.939	0.678
	Q34 Environmental impacts of products/services	0.950	0.959	0.866
	Q35 Adherence to environmental regulations	0.904	0.908	0.852
	Q36 Environmental impact of innovation activity	0.927	0.967	0.911
	Q38 Integration of sustainable practices into strategy	0.927	0.960	0.884
	Q39 CSR as part of the organizational culture	0.906	0.949	0.901
	Q40 Mission, vision, values	0.939	0.944	0.906
	Q41 CSR as part of organizational strategy	0.902	0.939	0.918
	Q43 Internal code of conduct	0.882	0.915	0.583
	Q45 Business model	0.919	0.930	0.905
	Q46 Profitability	0.974	0.962	0.860
	Q47 Business strategy	0.959	0.950	0.889
Proactive innovation				
	Q6 Business model innovation	0.862	0.856	0.705
	Q7 Frequency of business model innovation	0.835	0.842	0.762
	Q11 Involvement of top management on innovation	0.932	0.911	0.803
	Q13 Introduction of new products	0.973	0.960	0.902
	Q14 Significance of new products introduction	0.922	0.971	0.939
	Q15 Increase in sales	0.996	0.964	0.900
	Q16 R&D expenditure	0.867	0.872	0.845
	Q17 R&D investments vs. revenue	0.842	0.863	0.801
	Q18 Innovation with respect to society and environment	0.978	0.954	0.950
Innovation management				
	Q10 Idea management	0.845	0.933	0.789
	Q8 Open innovation	0.898	0.927	0.950
	Q9 Business collaboration	0.993	0.875	0.645

*Values of all loadings are statistically significant (p-values of test statistics are 0.000) at the significance level alpha = 0.05
Source: author`s own – based on empirical research

Those loading values that are closest to 1 can be considered as the highest. All loading values in the model used in this article are positive which means they significantly impact the corresponding constructs. If negative values would also emerge, absolute value of loading would be taken into consideration. In this study that was not the case.

Overall, it can be stated that the results are considerably homogenous, especially for Austria and Czech Republic. Slovakia has slightly lower loading values in general but there is no significant deviation in the pattern what has been crucial for the purposes of this research.

When taking closer look at the loading values of the first construct, innovation-oriented CSR, the highest values, meaning the strongest influence of an item on the construct can be seen in the area of process innovation and in the added value associated with the process innovation (Q19, Q20), sustainability (Q22), impact on local community (Q26), employee and customer satisfaction and loyalty (Q27, Q28), open and responsible communication (Q30), profitability (Q46) and business strategy (Q47). High, and interestingly homogenous loading values can also be seen in the area of CSR being part of the organizational culture (Q39), mission, vision, values (Q40), CSR as part of the organizational strategy (Q41) and the business model (Q45).

On the other hand, lower values can be seen in all tested countries in the area of marketing innovation (Q21), risk management (Q25) and internal code of conduct (Q43). Those are seen based on the results of the statistical analysis as marginal activities that SMEs in the tested CEE region do not consider to be crucial for their business operations and results.

When taking closer look at the second construct – proactive innovation, involvement of top management on innovation (Q11), introduction of new products and its significance (Q13, Q14), increase in sales (Q15) show the highest level of intensity of influence. On the other hand, R&D expenditure and its impact on revenue (Q16-17) show lower level of intensity. The answer to this could be the third construct – innovation management, where it can be seen that SMEs put the highest emphasis on open innovation as innovating via open innovation rather than own investments into R&D is more flexible, faster and more cost efficient. What is very interesting, is the gradual drop of influence of the item Q9 – business collaboration. The highest intensity of influence of this item on the third construct can be seen in Austria (0.993). In Czech Republic, it is slightly lower (0.875) but can still be considered as significant. However, loading value of this item in Slovakia fell down below the cut-off value 0.7, it is only 0.645. This could be explained by the maturity of the markets itself and still prevailing competitive rather than collaborative way of doing business in the post communistic countries (Czech Republic and Slovakia). Proving the significance and validity of these relationships leads to a conclusion that the areas of innovation and CSR are two strongly interconnected fields, especially in SMEs where the single business aspects have to be more in line with each other and the structure as such is very fragile. Especially, at the times of economic crisis SMEs can be more vulnerable (Kolasa et al. 2010; Ferrando et al. 2014), however, there are certain studies that show contradictory results and see the SMEs as the ones who can possibly grow and move the economy (Moscarini, Postel-Vinay 2012). Time will show how the upcoming crisis will affect SMEs and if their importance in the economy proves to be crucial. Nevertheless, innovation and CSR will remain crucial topics and inevitable core competencies for SMEs to remain competitive. In the next step of the statistical analysis of empirical data, reliability analysis confirmed the homogeneity of the constructs (see table 6).

Table 6 Reliability analysis

Factor	Items	AT	CZ	SK
Innovation oriented CSR		**Reliability of the factor (Cronbach`s alpha for the construct 0.99)**	**Reliability of the factor (Cronbach`s alpha for the construct 0.99)**	**Reliability of the factor (Cronbach`s alpha for the construct 0.99)**
	Q19	0.99	0.99	0.97
	Q20	0.99	0.99	0.97
	Q21	0.99	0.99	0.97
	Q22	0.99	0.99	0.97
	Q23	0.99	0.99	0.97
	Q24	0.99	0.99	0.97
	Q25	0.99	0.99	0.97
	Q26	0.99	0.99	0.97
	Q27	0.99	0.99	0.97
	Q28	0.99	0.99	0.97
	Q29	0.99	0.99	0.97
	Q30	0.99	0.99	0.97
	Q31	0.99	0.99	0.97
	Q32	0.99	0.99	0.97
	Q34	0.99	0.99	0.97
	Q35	0.99	0.99	0.97
	Q36	0.99	0.99	0.97
	Q38	0.99	0.99	0.97
	Q39	0.99	0.99	0.97
	Q40	0.99	0.99	0.97
	Q41	0.99	0.99	0.97
	Q43	0.99	0.99	0.97
	Q45	0.99	0.99	0.97
	Q46	0.99	0.99	0.97
	Q47	0.99	0.99	0.97
Proactive innovation		**Reliability of the factor (Cronbach`s alpha for the construct 0.97)**	**Reliability of the factor (Cronbach`s alpha for the construct 0.97)**	**Reliability of the factor (Cronbach`s alpha for the construct 0.94)**
	Q6	0.96	0.97	0.94
	Q7	0.96	0.97	0.94
	Q11	0.96	0.97	0.94
	Q13	0.96	0.96	0.94
	Q14	0.96	0.96	0.93
	Q15	0.96	0.96	0.93
	Q16	0.96	0.97	0.94
	Q17	0.96	0.97	0.94
	Q18	0.96	0.96	0.93
Innovation management		**Reliability of the factor (Cronbach`s alpha for the construct 0.91)**	**Reliability of the factor (Cronbach`s alpha for the construct 0.91)**	**Reliability of the factor (Cronbach`s alpha for the construct 0.81)**
	Q10	0.89	0.89	0.69
	Q8	0.87	0.84	0.74
	Q9	0.84	0.90	0.78

Source: author`s own – based on empirical research

Cronbach`s alpha for each item is smaller than Cronbach`s alpha for the construct. To make the model valid, values of Cronbach`s alpha for each item has to be lower than values of Cronbach`s alpha for the corresponding construct. If this condition wouldn`t be met, item would have to be excluded so that the functionality of the model is reached.

Table 7 Reliability – Cronbach`s Alpha

Construct	AT	CZ	SK
Innovation oriented CSR	0.99	0.99	0.99
Proactive innovation	0.97	0.97	0.94
Innovation management	0.91	0.91	0.81

Source: author`s own – based on empirical research

Values of the constructs are higher than 0.9 besides innovation management construct for Slovakia (0.81 – see table 7). These values of Cronbach`s alpha can be considered as high what proves the reliability of the model.

AVE is the average of square roots of loadings of items within the factor. Values of AVE should be higher than 0.5. As it can be seen from table 8 – condition was met. Each AVE value for all three researched countries have values higher than 0.5.

Table 8 Convergent validity AVE

Construct	AT	CZ	SK
Innovation oriented CSR	0.8622	0.8713	0.7136
Proactive innovation	0.8351	0.8312	0.7206
Innovation management	0.8357	0.8320	0.6473

Source: author`s own – based on empirical research

Correlation among constructs defined in the model – Innovation oriented CSR, Proactive innovation and Innovation management are high (see table 9) and significant at the level of significance alpha 0.05 (p-values 0.000).

Table 9 Correlation coefficients

	Correlation		
Country	**AT**	**CZ**	**SK**
Innovation oriented CSR			
Proactive innovation	0.949	0.977	0.912
Innovation management	0.899	0.937	0.862
Proactive innovation			
Innovation management	0.942	0.949	0.903

Source: author`s own – based on empirical research

These correlations demonstrate the valid and significant dependence of the two areas – innovation and CSR and further confirm the assumption stated in this study that innovative SMEs can be highly aware and engaged in CSR without explicitly concentrating its business resources on it and implementing some kind of structured approach as it can be seen in large companies. Thus, *H1*: *Innovative SMEs can be highly socially responsible despite applying unstructured approach to CSR* can be considered as supported.

Second hypothesis, *H2: Correlation between innovativeness of SME and conducting CSR activities is low* can also be considered as supported as items Q33 and Q37 measuring significance of regular conducting of CSR activities with the purpose of mitigating negative impacts of business activities on either community or environment and pre-defined metrics usage Q42 were excluded from the model due to low loading values (Q33: 0.434, Q37: 0.385, Q42: 0.396). Such low values mean there is significant impact of these items on the corresponding construct of the model.

Similar reasoning was used to confirm the third hypothesis**.** *H3: There is no need for innovative SME to apply specific CSR policies in order to have high CSR engagement.* Item 44 (Q44)

was excluded from the model as correlation between variables Q44 and Q43 was nearly 1.0. Item Q44 anti-corruption policies and item Q43 internal code of conduct have very high correlation – meaning topic of anti-corruption is already covered by internal code of conduct. Having a closer look backwards on the first construct (Q43), loading values for this item are among the lowest. For Austria, it has one of the three lowest values, for Slovakia it even got below cut-off value of 0.7 (only 0.583). In the Czech Republic, loading value could be considered high enough (0.915) but it is still the 5th lowest out of 25 items in the first construct. For the abovementioned reasons, H3 can be also considered as confirmed.

Table 10 – Summary of results of hypothesis testing

Hypothesis	*Result*	
H1	Supported	High correlation coefficients among all three constructs of the model.
H2	Supported	Items measuring explicit CSR activities were excluded due to low loading values.
H3	Supported	Item measuring implementation of special CSR policy and implementation of internal code of conduct were proved to be less significant.

Source: author`s own

5 Conclusion

SMEs have a unique status in the economy of any state. In the studied CEE region (Austria, Czech Republic and Slovakia) they represent more than 99% of all existing enterprises, create more than 80% of jobs and are substantial contributors to GDP. However, their nature itself is slightly different than those of large companies. They are more flexible but also more fragile to turbulences on the market so their approach and way of doing business also has to be different. Whatever works for large companies doesn`t have to work for SMEs. They need easy, straightforward and effective solutions for all the areas of the business. CSR is not an exception. Setup of complicated models, implementation and development of pre-defined metrics, vast reporting and in general, structured approach to CSR might be an asset but is very costly and time consuming, thus, can be considered as ineffective for SMEs who usually have neither the resources nor the time to apply it. However, this doesn`t mean SMEs cannot be comparably responsible business entities. Consequently, route of SMEs to sustainable and responsible business doesn`t lead via complicated models but through innovation.

In order to stay competitive and survive on today`s demanding, turbulent and ever changing markets, SMEs have to be innovative. There is no other choice. Innovation can only work if the equation Innovation = Idea + Realization (Schrage, 2004) is kept. Only such a product or service can be considered an innovation that market (customers and stakeholders) will accept. The pressure from customers and stakeholder on CSR is increasing. The result still remains important but the way of achieving it is not left behind (Guenster et al., 2011; El Ghoul et. al, 2017; Kim, Krishna, Danesh, 2019).

Innovation and CSR are two interconnected variables that cannot exist one without another. As shown by statistical analysis of the empirical data in this study, innovative SMEs don`t need to explicitly concentrate on CSR – its specific activities, policies, metrics, reporting or code of conducts. The answer for SMEs is in the business strategy, innovation and sustainable business model. This way, CSR can be strategic in its core and what is the most important, also proactive not just reactive. In the upcoming potentially deepest economic crisis in human history, this will be even more true. Innovation will be the key for survival more than ever before. Implementation of CSR via innovation and innovating via CSR might bring SMEs who are very fragile in its nature more resilience, more potential business opportunties, offer more flexibility to industries and lead to a more collaborative business environment.

Literature:

1. Anser, K. M., Zhang, Z., Kanwal, L. (2017). Moderating effect of innovation on corporate social responsibility and firm performance in realm of sustainable development. *Corporate Social Responsibility and Environmental Management*, 25(5), 799-806. doi: 10.1002/csr.1495
2. Arend, R. J. (2014): Social and Environmental Performance at SMEs: Considering Motivations, Capabilities, and Instrumentalism. Journal of Business Ethics, 125(4), 541-561. doi: 10.1007/s10551-013-1934-5
3. Arlow, P., Gannon, M. (1982): Social Responsiveness, Corporate Structure, and Economic Performance. Academy of Management, 7(2), 235 – 241.
4. Baden, D. A., Harwood, I. A., Woodward, D. G. (2009): The effect of buyer pressure on suppliers in SMEs to demonstrate CSR practices: An added incentive or counter-productive? European Management Journal, 27(6), 429-441.
5. Barnard, C. (1958): Elementary Conditions of Business Morals. California Management Review, 1(1), 1-13.
6. Baumgartner, R. J., Ebner, D. (2010): Corporate sustainability strategies: sustainability profiles and maturity levels. Sustainable Development, 18(2), s. 76-89.
7. Bocquet, R., Le Bas, CH., Mothe, C., Poussing, N. (2017): CSR, Innovation, and Firm Performance in Sluggish Growth Contexts: A Firm-Level Empirical Analysis. Journal of Business Ethics, 146(1), 241-254.
8. Carroll, A.B. (1999): Corporate Social Responsibility: Evolution of a Definitional Construct. Business & Society, 38(3), 268-295.
9. Christensen, L. J., Mackey, A., Whetten, D. (2014): Taking Responsibility for Corporate Social Responsibility: The Role of Leaders in Creating, Implementing, Sustaining, or Avoiding Socially Responsible Firm Behaviors. Academy of Management Perspectives, 28(2), 164–178.
10. Coombs, W. T., Holloday, S. (2015): CSR as crisis risk: Expanding how we conceptualize the relationship. Corporate Communication, 20(2), 144-166.
11. Davis, K., Blomstrom, R. L. (1975): Business and society: Environment and responsibility (3rd ed.). New York: McGraw-Hill. ISBN 0070155240
12. Dawkins, J., Lewis, S. (2003): CSR in stakeholder expectations and their implication for company strategy. Journal of Business Ethics, 44(2), 185-193.
13. Dragulescu, A., Cole Arendt, C. (2018): xlsx: Read, Write, Format Excel 2007 and Excel 97/2000/XP/2003 Files. R package version 0.6.1. <https://CRAN.R-project.org/pac kage=xlsx>.
14. El Ghoul, S., Guedhami, O., Kim, Y. (2017): Country-level institutions, firm value, and the role of corporate social responsibility initiatives. Journal of International Business Studies, 48, 360-385.
15. Elkington, J. (1994): Towards the sustainable corporation – win-win-win business strategies for sustainable development. California Management Review, 36(2), 90-100.
16. EUROPEAN COMMISSION (2017): Non-financial reporting. <https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en>.
17. Fan, X., Thompson, B., Wang, L. (1999): Effects of Sample Size, Estimation Methods, and Model Specification on Structural Equation Modeling Fit Indexes. Structural Equation Modeling, 6(1), 56-83.
18. Ferrando, A., Marchica, M.T., Mura, R. (2014): Financial Flexibility Across the Euro Area and the UK (January 20, 2014). ECB Working Paper No. 1630. https://ssrn.com/abs tract=2381833
19. Gáborová. I. (2020): Influence of Innovation Activities on CSR of SMEs in Selected CEE Countries. AD ALTA: Journal of Interdisciplinary Research, 10(1), 70-81.
20. Gelbmann, U. (2010): Establishing Strategic CSR in SMEs: an Austrian CSR Quality Seal to Substantiate the Strategic CSR Performance. Sustainable Development, 18(3), 90-98.
21. Gossling, T. (2011): Corporate Social Responsibility and Business Performance. Theories and Evidence about Organizational Responsibility. London: Edward Elgar Publishing. ISBN 978-0857-9323-89.
22. Guenster, N., Baurer, R., Derwall, J., Koedijk, K. (2005): The Economic Value of Corporate Eco-Efficiency. European Financial Management, 17(4), 679-704.

23. Heal, G. (2005): Corporate Social Responsibility: An Economic and Financial Framework. The Geneva Papers on Risk and Insurance - Issues and Practice, 30(3), 387-409.
23. Hooper, D., Coughlan, J., Mullen, M. R. (2008): Structural Equation Modelling: Guidelines for Determining Model Fit. Electronic Journal of Business Research Methods, 6(1), 53-60.
24. Hu, L., Bentler, P. M. (1999): Cutoff criteria for fit indexes in covariance structure analysis: Conventional criteria versus new alternatives. Structural Equation Modeling: A Multidisciplinary Journal, 6(1), 1-55.
25. Hwang, J. Y., Kandampully, J. (2015): Embracing CSR in pro-social relationship marketing program: understanding driving forces of positive consumer responses. Journal of Services Marketing, 29(5), 344-353.
26. Jenkins, H. (2004): A critique of conventional CSR theory: an SME perspective. Journal of General Management, 29(4), 37-57.
27. Kim, S., Kirshna, A., Danesh, G. (2019): Economics or ethics? Exploring the role of CSR expectations in explaining consumers' perceptions, motivations, and active communication behaviors about corporate misconduct. Public Relations Review, 45(1), 76-87.
28. Kline, R. B. (2005): Principles and Practice of Structural Equation Modeling (2nd Edition ed.). New York: The Guilford Press. ISBN 978-1-57230-690-5.
29. Kolasa, M., Rubaszek, M., Taglioni, D. (2010): Firms in the great global recession: The role of foreign ownership and financial dependence. Emerging Markets Review, 11(4), 341-357.
30. Lenz, I., Wetzel, H. A., Hammerschmidt, M. (2017): Can Doing Good Lead to Doing Poorly? Firm Value Implications of CSR in the Face of CSI. Journal of the Academy of Marketing Science, 45(4), 677-697.
31. Lev, B., Petrovits, C., Radhakrishnan, S. (2009): Is doing good good for you? How corporate charitable contributions enhance revenue growth. Strategic Management Journal, 31(2), 182–200.
32. Lepoutre, J., Heene, A. (2006): Investigating the impact of firm size on small business social responsibility: a critical review. Journal of Business Ethics, 67(3), 257-273.
33. Lu, J., Ren, L., Lin, W. et al. (2019): Policies to Promote Corporate Social Responsibility (CSR) and Assessment of CSR Impacts. Business Administration and Management, 22(1), 82-98.
34. Margolis, J. D., Walsh, J. P. (2003): Misery loves companies: Rethinking social initiatives by business. Administrative Science Quarterly, 48(2), 268–305.
35. McWilliams, A., Siegel, D. (2000): Corporate social responsibility and financial performance: correlation or misspecification? Strategic Management Journal, 21(5), 603-609.
36. Middtun, A. (2009): Strategic CSR Innovation: Serving Societal and Individual Needs. Research report 2/2009. BI Norwegian School of Management. Department of Innovation and Organizational Management. https://biopen.bi.no/bi-xmlui/bitstream/handle/11250/94093/2009-02-midttun.pdf?sequence=1&isAllowed=y.
37. Meyer, M. (2015): Positive Business: Doing Good and Doing Well. Business Ethics. A European Review, 24(22), s. 175- 197.
38. Moscarini, G., Postel-Vinay, F. (2012): The Contribution of Large and Small Employers to Job Creation in Times of High and Low Unemployment. American Economic Review, 102(6), 2509 -2539.
39. Moneva, J. M., Hernandez-Pajares, J. (2018): Corporate social responsibility performance and sustainability reporting in SMEs: an analysis of owner-managers' perceptions. International Journal of Sustainable Economy, 10(4), 405-420.
40. Morsing, M., Perrini, F. (2009): CSR in SMEs: do SMEs matter for the CSR agenda? Business Ethics: A European Review, 18(1), 1-6.
41. Nejati, M., Amran, A. (2009): Corporate social responsibility and SMEs: exploratory study on motivations from a Malaysian perspective. Business Strategy Series, 10(5), 259-265.
42. Nidumolu, R., Prahlad, C., Rangaswami, M. (2009): Why Sustainability is Now the Key Driver of Innovation. Harvard Business Review, 87(2), 57-64.
43. Perrini, F. (2006): SMEs and CSR theory: evidence and implications from an Italian perspective, Journal of Business Ethics, 67(3), 305-316.
44. Porter, M., Kramer, M. (2011): Creating Shared Value. Harvard Business Review, 89(1-2), 62-77.
45. Posnikoff, J. F. (1997): Disinvestment from South Africa: They did well by doing good. Contemporary Economic Policy, 15(1), 76-86.
46. Price, J., Sun, W. (2017): Doing good and doing bad: The impact of corporate social responsibility and irresponsibility on firm performance. Journal of Business Research, 8(C), 82-97.
47. Ramesh, K., Saha, R., Goswami, S. et al. (2019): Consumer's response to CSR activities: Mediating role of brand image and brand attitude. Corporate Social Responsibility and Environmental Management, 26(2), 377-387.
48. R CORE TEAM (2019): R: A language and environment for statistical computing. R Foundation for Statistical Computing, Vienna, Austria. <https://www.R-project.org/>.
49. Revelle, W. (2018): psych: Procedures for Personality and Psychological Research, Northwestern University, Evanston, Illinois, USA, https://CRAN.R-project.org/package=psych Version = 1.8.12.
50. Rexhepi, G., Kustishi, S., BEXHETI, G. (2013): Corporate Social Responsibility (CSR) and Innovation – The drivers of business growth? Second International Conference on Leadership, Technology and Innovation Management 2012, 75, 532-541.
51. Rosseel, Y. (2012): lavaan: An R Package for Structural Equation Modeling. Journal of Statistical Software, 48, č. 2, s. 1-36. <http://www.jstatsoft.org/v48/i02/>.
52. Ruggiero, P., Cupertino, S. (2018): CSR Strategic Approach, Financial Resources and Corporate Social Performance: The Mediating Effect of Innovation. Sustainability, 10(10), 3611.
53. Santos, M. (2011): CSR in SMEs: strategies, practices, motivations and obstacles. Social Responsibility Journal, 7(3), 490-508.
54. Schrage, M. (2004): Michael Schrage on Innovation. *Magazine Ubiquity*. <https://ubiquity.acm.org/article.cfm?id=1040565)>.
55. Surroca, J., Tribo, J. A., Waddock, S. (2010): Corporate responsibility and financial performance: The role of intangible resources. Strategic Management Journal, 31(5), 463–490.
56. Tabachnick, B.G., Fidell, L.S. (2007): Using Multivariate Statistics (5th ed.). New York: Allyn and Bacon. ISBN: 978-0-205-45938-4
57. Tilley, F. (2002): Small firm environmental ethics: how deep do they go? Business Ethics: A European Review, 9(1), 31–41.
58. Teoh, S. H., Welch, I., Wazzan, C. P. (1999): The effect of socially activist investment policies on the financial markets: Evidence from the South African boycott. Journal of Business, 72(1), 35-89.
59. Tur-Porcar, A., Roig-Tierno, N., Llorca Mestre, A. (2018): Factors affecting entrepreneurship and business sustainability. Sustainability 2018, 10(2), 452.
60. Varadarajan,, R., Kaul, R. (2017): Doing Well by Doing Good Innovations: Alleviation of Social Problems in Emerging Markets through Corporate Social Innovations. Journal of Business Research, 86(1), 225-233.
61. Visser, W. (2010): The age of responsibility CSR 2.0 and the new DNA of business. Journal of Business Systems, Governance and Ethics, 5(3), 7-22.
62. Voegtlin, C., Greenwood, M. (2016): Corporate social responsibility and human resource management: A systematic review and conceptual analysis. Human Resource Management Review, 26(3), 181–197.
63. Wang, H., Tong, L., Takeuchi, R., George, G. (2016): Corporate Social Responsibility: An Overview and New Research Directions. Academy of Management Journal, 59(2), 534-544.
64. Wright, P., Ferris, S. (1997): Agency conflict and corporate strategy: The effect of divestment on corporate value. Strategic Management Journal, 18(1), 77-83.
65. Yoo, D., Lee, J. (2018): The Effects of Corporate Social Responsibility (CSR) Fit and CSR Consistency on Company Evaluation: The Role of CSR Support. Sustainability 2018, 10(8), 2956.
66. Zadek, S. (2004): The Path to Corporate Responsibility. Harvard Business Review, 82(12), 125-132.

Primary Paper Section: A

Secondary Paper Section: AE, AH