

The Determinants of the Social Responsibility of Family SMES in Tunisia

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Abstract

This paper aims to study the impact of the characteristics of family SMES on the strategy of Corporate Social Responsibility (CSR) family. The review of literature shows that the social network has a positive, but low effect on the social responsibility of business. However, conservatism has a negative effect on social responsibility of business. Age of the company has a positive effect on the social responsibility of business. The data have been collected from 141 Tunisian familial and non-familial businesses in 2012. The results obtained allow to highlight the role of social network in the adoption of the strategy of social responsibility within the family business. Similarly, the results have shown that the variable conservatism with a negative impact is statistically significant on CSR through the variable Knowledge of CSR. Finally, age of the company has no significant impact on CSR strategy.

Keywords: Social network; Age of the company; Conservatism; Corporate social responsibility; Family SMES

Introduction

Although there is no consensus on the definition of corporate social responsibility (CSR), some researchers like Baker defined it as the way in which firms manage their business processes in order to produce an overall positive impact on society. The essential characteristic of CSR is the willingness of an organization to integrate the social and environmental dimensions in its decision making and to account for the effects of its decisions and activities on society and the environment (ISO 2010). According to the universal standards, CSR covers philanthropic activities and work practices, human rights, the environment, consumer protection and the fight against fraud and corruption.

The majority of previous researches have shown that the impact of the characteristics of family business on CSR is low. In fact, the social network has a positive impact on CSR, whereas conservatism has a negative impact on it. Finally, age of the company has a positive influence on this variable. The scarcity of research in this area gives our study a considerable importance. The objective of our research is to review the impact of the characteristics of the family SMES on the adoption of the principles of CSR.

The execution of this work will lead to a double contribution. The first lies in the choice of the sample. In fact, the study will be carried out in the context of the emerging countries (Tunisia). The analysis of the social responsibility of small and medium family business in the context of Tunisia is proving to be very attractive given the considerable role that plays small family business in the national economy. Previous studies have been carried out generally in the context of developed countries. The second is to integrate explicitly direct measures for latent variables on the occasion of the study of the impact of characteristics of family SMES on the social responsibility of business.

The objective of this article is to study the impact of the characteristics of family SMES through the concept of knowledge of CSR. Our general questioning revolves around the following question: What is the impact of age of the company, of conservatism and of social network on CSR.

Our research claims to analyze the influence of the characteristics of family SMES on the decision adopting CSR approach. To do this,

we will use the method of structural equations (LISREL) on a sample of Tunisian businesses that operate in the region of Sousse, in order to validate our proposals. The principal components analysis (ACP) and the confirmatory factor analysis will be used to clean our scale of measurement, and to validate our variables.

This article is structured in the following way. Section 2 outlines the review of literature and research hypotheses. Section 3 deals with methodological choice. Section 4 presents the results and their discussions. The last section presents the conclusion.

A Summary of Theoretical Literature

The review of literature on the determinants of social responsibility of family business shows that there are several factors that encourage the adoption of an approach of CSR. Our research will highlight the role of the characteristics of small family business to know (the social network, age of business and conservatism) in the adoption of CSR.

The relationship between the characteristics of family business and corporate social responsibility has been studied by researchers in developed countries. However, no unanimity on the influence of its characteristics was detected in the present topic.

Recent previous studies have identified three main characteristics of small family business for the explanation of the relationship between the characteristics of small family business and adoption of the principles of CSR. The first characteristic is the social network of family SMES. The second characteristic is conservatism of family business. The third characteristic is age of the company.

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Social network

The link between the social network and the social responsibility of family business has been amply discussed since the work of Spence. This relationship was then tested by Spence and Schmidpeter's. Indeed, the results show that the more the social network is strong, the higher degrees of the adoption of CSR. As well, the formal and informal relations who can establish the Leader of the family business offer a source of permanent data. Previous researches have shown that religion and beliefs of the leader, the family and friends of the business affect CSR (Nejati and Amram; Spence and Lozano; Xu and Yang).

Previous studies show the existence of a positive relationship between the social network and the social responsibility of business [1]. Furthermore, companies which have a broad social network are generally those which have the information. Therefore, they are more efficient compared to those which have restricted social networks. The Hypothesis 1 sets out in the following manner:

Hypothesis 1: *The social network has a positive impact on social responsibility of the family SMES.*

Conservatism

It is widely recognized that conservatism impacts negatively the adoption of CSR. Indeed, several studies have shown that conservatism exerts a negative influence on the adoption of CSR. Conservatism of family business may be exercised on its strategic attitude. This can be expressed by a powerful rigidity and a hostile posture in the face of a change of paradigm, Harris and al. As well, family business shows a great attraction to the strategy developed by its founder and waives any innovation. In this spirit, Miller and al show that the conservative organization would be much more steeped in the tradition and would behave in such a way as bureaucratic and centralized. Therefore, the adoption of approaches to CSR requires a high degree of willingness to change, and new strategies to promote the adaptation to the new requirements of the environment. Hypothesis 2 sets out in the following manner:

Hypothesis 2: *Conservatism has a negative impact on the social responsibility of family SMES.*

Age of the company

The research conducted by Choi (cited by Hamid) on the Korean companies, shows that age of the company has a positive impact on CSR. Other researchers have proven empirically the existence of a positive and statistically significant relationship between age of the Business and CSR (Hamid, Branco and Rodrigues). On his side, Al- Shubiri et al. [1] show that age of the company has a positive impact on the degree of CSR of companies listed on the stock exchange of Amman. For Moore age of the company has a positive impact and statistically significant on the CSR strategy. Recently, Godos-Díez et al. found a positive and statistically significant impact between age of business and the practice of CSR. Hypothesis 3 sets out as well:

Hypothesis 3: *Age of the company has a positive impact on the social responsibility of family SMES.*

Conceptual framework

Based on the arguments presented above, the conceptual model proposed in this study is presented in Figure 1.

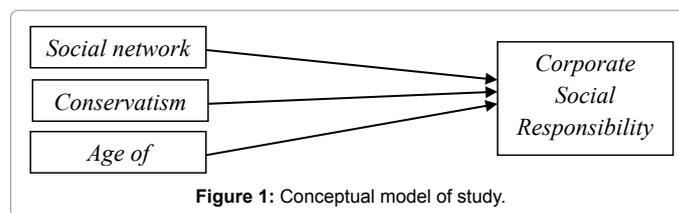


Figure 1: Conceptual model of study.

Research Methodology

This section will be devoted in the first place to the presentation of the choice of the sample, as well as the sources of our data subject empirical validation. In the second place, we make the operationalization's adopted in the framework of the model of the established CSR. In last place, we treat the specification of the model of CSR.

Collection of data and presentation of the sample

Our sample is composed of 141 businesses from which 120 family businesses operate in Sousse region in various sectors of activities. Indeed, the choice of Sousse region has been dictated by circumstances of hardware order and practices. However, the exploratory phase has allowed us to highlight the role of conservative attitude of family business in its strategic direction. Then, the influence of social network on knowledge of CSR. The main questionnaire of the research has been carried out as a result of a review of literature and semi-structured interviews conducted with 3 leaders of family businesses. Nevertheless, we noticed the problems relating to the ambiguity of a few statements and to the representation of some of the concepts explained without doubt by length of our draft questionnaire. Following its observations, some changes have been made: the questionnaire has been widely abstract in order to embed only the most congruent variables to the study. In addition, the statements of the scales have been reformulated in order to better represent their concepts.

Measurements of the variables

The objective of our empirical investigation is to study. The relationship between the characteristics of small family business and corporate social responsibility. To test these interactions, we consider the following model:

In order to empirically test the impact of the explanatory variables on the social responsibility of family business, we specified a structural model and a measure model which will be the subject of estimation. The following equation describes the system of structural linear relations:

$$H = B \eta + \Gamma \xi + \zeta$$

With:

H: Vector of ETAS of latent explained variables

ξ : Vector of Ksi of explanatory latent variables

B: Matrix of structural coefficients beta

Γ : Matrix of structural coefficients Gamma

ζ : Matrix of terms of errors Zeta

Two models of measurement: Y and X

$$Y = \Lambda_y \eta + \varepsilon$$

$$X = \Lambda_x \xi + \delta$$

With:

- Y : Vector of indicators of independent variables
- X : Vector of indicators of dependent variables
- Λ_y : The matrix of loadings of indicators y on the latent variables η
- Λ_x : The matrix of loadings of indicators y on the latent variables ξ
- ε : The vector of terms of measurement error for each indicator of η
- δ : The vector of terms of measurement error for each indicator of ξ .

Dependent variables: The concept of CSR has been the subject of several attempts of operationalization. Nevertheless, there is a line of measures which are more rooted in literature. These measures are perceptual from surveys by questionnaire. These methods are proposing to directly measure the four dimensions of the model of Carroll [2] in producing items related to each dimension (economic, legal, ethics, discretionary). One of the first attempts is that of Aupperle et al. who proposed a scale measuring the orientation of the leaders towards the social responsibility composed of items to forced choice. In order to operationalize CSR, a Likert scale of 5 points ranging from “not at all in agreement” to “totally agree”, has been employed to measure the four-dimensional variable CSR. Our measure focuses on 12 elements deemed necessary to assess CSR.

CSRj: the corporate social responsibility. It is a latent variable represented by the following dimensions: (LEGRES, ECORES, ETHRES, DISRES).

It is a variable composed by categories.

- Category 1: CSR takes the value of 0, if the answer is “not of any of Agreement”
- Category 2: CSR takes the value of 1, if the answer is “no agreement”
- Category 3: CSR takes the value of 2, if the answer is “neutral”
- Category 4: CSR takes the value of 3, if the answer is “Agree”
- Category 5: CSR takes the value of 4, if the answer is “totally agree”

Independent variables: Screw asserts that one of the weaknesses of the approaches based on knowledge is the difficulty if not impossibility of measurement of the variable “knowledge”. Nevertheless, it is not scientifically possible to demonstrate that this knowledge causes the attitude. For reasons of analysis, we have attempted to objectify the concept of knowledge of CSR in creating a three-point scale ranging from “by report to this aspect, our experience proves to be quite satisfactory” to “by report to this aspect, our experience proves to be very low” allowing to measure it. Our measure focuses on 11 elements considered essential to adopt the CSR approach.

KCSRj: Knowledge of corporate social responsibility. It is a latent variable represented by the following dimension :(KNOW), is a variable composed by categories.

- Category 1: The KCSR takes the value 2, if the answer is “in relation to this aspect, our experience proves to be quite satisfactory”
- Category 2: The KCSR takes the value 1, if the answer is “in relation to this aspect, we still have things to learn”
- Category 3 The KCSR takes the value 0, if the answer is “in relation to this aspect, our experience proves to be very low”

Conservatism of the company: Conservatism can be explained by a determination of the protection of the business property of the family. Six items have been considered necessary to be able to operationalize conservatism.

CONsj: conservatism is a variable composed by categories.

- Category 1: The CONS takes the value 0, if the answer is “not of any of Agreement”
- Category 2: The CONS takes the value 1, if the answer is “no agreement”
- Category 3: The CONS takes the value 2, if the answer is “neutral”
- Category 4: The CONS takes the value 3, if the answer is “Agree”
- Category 5: The CONS takes the value 4, if the answer is “totally agree”

Age of the company: The variable “age of the company” can be explained by the number of years of operation of an organization. We assign to each company a coefficient from 1 up to 5 according to the number of years of operation.

Social network: Generally, the family business relies heavily on its circles of personal relations for the acquisition of resources and knowledge. In addition, the belonging to networks of personal, emotional and essentially informal relationships based on trust is an aspect that determines the trigger and the success of social responsibility of family business.

Network j: The social network is a variable composed by categories.

- Category 1: The NETWORK takes the value 0, if the answer is “not of any of Agreement”
- Category 2: The NETWORK takes the value 1, if the answer is “no agreement”
- Category 3: The NETWORK takes the value 2, if the answer is “neutral”
- Category 4: The NETWORK takes the value 3, if the answer is “Agree”
- Category 5: The NETWORK takes the value 4, if the answer is “totally agree”

Application and Results

For the purpose of estimating the regression function of our model, we began by analyzing the presence of a problem of multi-collinearity of independent variables. The coefficients of correlations between the explanatory variables are not statistically significant with a threshold of 10%. In fact, the values of the Pearson correlation coefficients do not exceed the threshold of 0.8 advocated by Gujarati. Therefore, we cannot talk about a problem of multi-collinearity in our sample.

A principal component analysis (ACP) has been carried out in order to purify the items of our scale of measurement. This phase was followed by a confirmatory factor analysis (AFC). Thus, the improvement of convergent and discriminant validity of constructs constitutes the essential objective of the AFC before proceeding with the analysis of causal relations. The confirmatory factorial analysis allows you to validate the factorial structure of all the variables in our model. This step will be completed without the independent variable age. In the framework of this study we have used the method of structural equations. The model has, up to now, a good explanatory power. Another track of reflection can emerge by testing the effect of

variables “conservatism” and “age of the Company” on the dependent variable (knowledge of corporate social responsibility). The obtained adjustment is good and the majority of the coefficients are significant.

The indices revealed in this Table 1 indicate that this model presents a good adjustment. The SRMR equal to 0,13 shows a close fit between the model and the empirical data. The NFI gets even closer to the standard. Finally, the explained variance of the two major dependent variables of the model (CSR and KCSR) saves a net increase. Indeed, the explanatory power of our two main dependent variables amounts to 0,51. This model presents the best indicators of adjustment. Subsequently, our model is interpretable. The whole of the estimated co-efficients is exposed in the following two tables.

This shows that this model presents a good adjustment of the selected variables. The output of the LISREL software will be formulated in the Table 2 below:

Discussion

The relationship between social network and corporate social responsibility

In order to estimate the effect of social network on the social responsibility of the family SMES, it has used the method of structural equations (LISREL) to latent variables. The regression global model incorporates all the independent variables of CSR. The variable social network is tested directly on the CSR variable. Columns 2 and 3 of the Table above show the results of the regressions in holding simultaneously as dependent variables CSR and knowledge of CSR.

Variables	The indicators of adjustment	
Absolute	X ² (ddl=85)	269,24 (p = 0.0)
	GFI	0,77
	SRMR	0,13
Incremental	NFI	0,64
	CFI	0,70
Parsimony	PNFI	0,53
	PGFI	0,55
Explanatory Power	ΣR ²	0,51

Source: Our calculations

Table 1: General model-adjustment of the global model.

Variables	Item	Lambda	T	Variance Error	T	R ²
KCSR	KNOW2	0,54	5,96 (0,09)	0,69	8,41 (0,08)	0,32
	KNOW5	0,82	11,06 (0,07)	0,27	4,11 (0,06)	0,73
	KNOW6	0,71	8,71 (0,08)	0,46	5,34 (0,08)	0,55
	KNOW8	0,80	10,59 (0,07)	0,30	4,50 (0,07)	0,70
CSR	LEGRES2	0,36	4,10 (0,09)	0,80	7,39 (0,11)	0,19
	ECORES1	0,14	1,53 (0,09)	0,97	10,64 (0,09)	0,03
	ETHRES3	0,69	5,68 (0,12)	0,28	1,54 (0,18)	0,72
	DISRES1	0,34	3,81 (0,09)	0,84	8,53 (0,10)	0,17
NETWORK	NETWORK2	0,98	17,44 (0,05)	0,04	1,23 (0,03)	0,96
	NETWORK3	0,92	15,03 (0,06)	0,16	5,07 (0,03)	0,84
	NETWORK4	0,64	7,28 (0,09)	0,59	6,43 (0,09)	0,41
	NETWORK5	0,73	9,05 (0,08)	0,46	5,68 (0,08)	0,54
	CONS	CONS1	0,40	3,70 (0,11)	0,84	6,41 (0,13)
	CONS2	0,28	7,01 (0,04)	0,54	1,38 (0,39)	0,49
AGE	AGE	0,91	9,88 (0,09)	0,18	1,97 (0,09)	0,82

Source: Our calculations

Table 2: Estimation of the model of measurement.

The result indicates that the estimated coefficient of social network is positive and statistically significant. In fact, this coefficient is of the order of (+2.90). The positive relationship between social network and knowledge of CSR indicates that the more the social network is high the more there will be a net improvement of CSR. The obtained result corroborates previous research [3]. As well, the result allows to confirm hypothesis 1.

The relationship between conservatism and corporate social responsibility

In order to estimate the effect of the variable conservatism of the family SMES on CSR. It has been directly tested the latent variable “conservatism” on the knowledge of CSR while using the method of structural equations.

Columns 2 and 3 of the Table 3 above show the results of t regressions. The result obtained shows that conservatism exerts a negative and statistically significant effect on knowledge of CSR. In fact, this coefficient is of the order of (-2.33). The result obtained shows that conservatism exerts a negative and statistically significant impact on CSR through the knowledge of CSR. The obtained result corroborates previous research [4]. The negative link between conservatism and knowledge of CSR shows that the more the conservative attitude is strong more CSR is low. This result is explained by the existence of forces dating back to the ancient generations which exercise a powerful control on the managers of these Conservative family organizations. Moreover, this result suggests that the net decrease of CSR of SME family can be assignable to the substantial increase in conservatism of these companies.

The conservative exaggerated attitude of SME family procreates a humiliation of CSR practices. For these family businesses, this situation will result in long term by an opposition to any change. This result corroborates previous researches which have found a negative and statistically significant impact of conservatism on CSR. As well, the result allows to confirm hypothesis 2.

The relationship between age of the company and corporate social responsibility

For the purpose of assessing the effect of age of the family business on CSR, we have tried to test this relationship through “knowledge of CSR” (AGE→KCSR→CSR). The relationship shows no influence of age of the company on the KCSR. The obtained result shows that age of the company has no effect on CSR through the variable KCSR. In fact, this coefficient is of the order of (-1.82).

The Age of the enterprise has no impact on social responsibility of the family SMES, this result corroborates the results found by

Parameter	Estimate	T
KCSR ← CONS	- 0,27	- 2,33 (0,11)
KCSR ← AGE	- 0,17	- 1,82 (0,09)
CSR ← CRSE	- 0,56	- 4,80 (0,12)
NETWOR ← CSR	0,33	2,90 (0,12)
Disruption		
KCSR	1,00	-
CSR	1,00	-
Explanatory power (R²)		
R ² (KCSR)=0,20		
R ² (CSR)=0,31		

Source: Our calculations

Table 3: Structural model.

Trencansky and Tsaparlidis [5] which have shown that age of the company has no significant impact on CSR strategy. Previous researches Wiklund, Hossain and Reaz [6,7]; have empirically concluded the lack of a significant relationship between age of the company and the degree of CSR. As well, the result allows you to invalidate hypothesis 3.

Conclusion

Our investigation in the context of the emerging countries (Tunisia) represents a support to research in this area. In fact, the objective of this article is to estimate the impact of the characteristics of the family SMES on CSR through the introduction of a central variable, which is knowledge of CSR. This study is an extension in relation to the previous research. Indeed, despite the testing of recent studies, the role of knowledge of CSR has not been studied extensively.

The results of the regressions obtained show that the social responsibility of the business increases with social network. On the other hand, knowledge of CSR decreases with conservative attitude of the company. The results of the regressions allow highlighting the role of social network in the explanation of the adoption of CSR. In fact,

the variable social network exerts a positive and statistically significant impact on the CSR strategy.

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