
THE PROMOTION OF CSR IN SMEs BY SUPPORT ORGANIZATIONS. A CASE STUDY IN THE DEMOCRATIC REPUBLIC OF THE CONGO

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Abstract: The CSR of SMEs in developing countries is difficult to promote mainly for two reasons: the characteristics of SMEs in these areas, and the special context (deficits in infrastructures and a weak State) where such SMEs operate. One solution to address these problems is the creation or enforcement of SME networks, where trust and relational contracts replace impersonal market exchanges and legal contracts. The paper investigates the role of support organizations in the promotion of SME networks and of their socially responsible behaviours. It presents the case of CADICEC, a support organization for SMEs in the Democratic Republic of the Congo. CADICEC develops its mission based on transparency and the enforcement of public institutions, in a business and political context invaded by secret chapels that promote under the table particular and ethnic interests. The inspiration of CADICEC's behaviour lies in a pre colonial African institution: the Palaver Tree. Conclusions highlight the importance of cultural changes for the survival and responsibility of individual SMEs, and the critical role of an open debate in the promotion of appropriate institutional contexts for such firms.

Keywords: *SMEs, CSR, Business Networks, Support Organizations, Sub Saharan Africa, the DR of Congo.*

INTRODUCTION

“One finger alone cannot remove a louse from the head.”
African Proverb

The CSR of SMEs in developing countries is an interesting but underinvestigated area (Jamali et al., 2009; Azmat and Samaratunge, 2009). One particular domain where the relationship between CSR and SMEs is poorly understood is the connection between SMEs and their institutional environment in certain geographical areas. In fact, more attention should be dedicated to “how different types of institutional environments influence the expressions and manifestations of socially and environmentally responsible behavior in SMEs in developing countries, beyond the Latin American and Indian contexts...” (Jamali et al., 2012).

Addressing this connection SME-institutional environment, Azmat and Samaratunge (2009) contend that in developing countries the characteristics of SMEs determine a poor communication with their environment and limited socially responsible behaviors:

“Due to their small size, no brand capital, low public visibility and lack of permanent establishments, they [SMEs] are somewhat isolated and disconnected from the local community... and are unlikely to develop personal relationships with stakeholders and wider society. In addition, their struggle for existence, their low level of education and awareness, and link with local markets only further limit their socially responsible behavior” (Azmat and Samaratunge 2009, p. 440).

One possible way to enrich the connection between SMEs and their environment consists of promoting SME business networks (Biggs and Shah, 2006, p. 2). A business network is composed of inter-firm ties that are enduring and of strategic significance for these firms (Inkpen and Tsang 2005, p. 147), and is mainly founded in *trust* and *relational* (as opposed to *legal*) *contracts* (Biggs and Shah 2006, pp. 7-8). In certain cases, SME networks are helped in their efforts to survive by support

organizations (SOs), this is, “organizations that help individuals to start, manage and grow their businesses” (Isaacs, 2007, p. 32).

Unfortunately, the influence of SOs in the promotion of CSR of SMEs has captured low attention in the literature. Certainly, some authors have highlighted the influence of private organizations (NGOs, media or MNCs) in promoting CSR in the business domain (Belal and Owen, 2007; Azmat and Samaratunge, 2009, p. 441). However, only Isaacs (2007) explores the reality of SOs for SMEs. In his paper, the author analyzes the different services that SOs can provide to single SMEs; but he does not include explicitly the promotion of socially responsible behaviors or the reference to business networks.

The present paper contributes to the literature by focusing in the role of SOs in advancing the CSR of SMEs, both individually and in the context of business networks. In this framework, it presents the case study of a SO which operates in the Democratic Republic of the Congo (DRC). This country constitutes a relevant area because it is the third biggest in population in Sub Saharan Africa (68.7 millions) (UNDP, 2011); one of the poorest of the world (the last of 187 listed countries in HDI in 2011) (UNDP, 2011); and in addition a zone in Africa that is very seldom object of academic research in CSR (Visser, 2006, p. 22), particularly in CSR of SMEs (Jamali et al 2012).¹

The research question that this paper develops is: What are the main issues to be considered by a SO that wishes to promote the CSR of SMEs, both at the level of individual SMEs and in the address of institutional inefficiencies?

In the next section, a theoretical framework is presented, where the concepts of CSR of SMEs, business networks and SOs are investigated and the research question is consistently formulated. After the description of the method to answer this question, the paper depicts the institutional context of SMEs in the DRC. In the subsequent section, the task of CADICEC, a Congolese SO for SMEs, is analyzed, and its activities and source of inspiration are discussed. Conclusions close the article.

In summary, this paper aims at understanding how the action of SOs of SME networks can promote the survival and social responsibility of these firms. The collaboration between SOs and SMEs –and among SMEs

¹ Apart from Mària and Lozano (2010), Mària and Devuyt (2011) and Mària and Taka (2012) one recent exception of a paper on CSR in the DRC is Kolk and Lenfant (2012), focused on Business-NGO partnerships.

themselves– is necessary in a weak institutional environment in order to solve urgent problems and thus “remove lice from the head”, in the language of the African proverb heading this section.²

THEORETICAL FRAMEWORK

THE CSR OF SME IN DEVELOPING COUNTRIES

In the context of developing countries, the CSR of SMEs³ is understood as the integration of economic, environmental, and social concerns into core practices of SMEs and their voluntary engagement in actions benefiting stakeholders and society (Lund-Thomsen, 2004). Other formulations connect the CSR of SMEs with being responsible for one’s effect on others and taking responsibility for helping others in normal business practices or non-core activities (Fuller and Tian, 2006) or with making a significant contribution to society while doing well for themselves (Chapple and Moon, 2007). In line with the former approaches, this paper will use the following definition:

“I view corporations as acting in socially responsible ways if they do two things. First, they must not knowingly do anything that could harm their stakeholders– notably, their investors, employees, customers, suppliers, or the local community within which they operate. Second, if corporations do cause harm to their stakeholders, they must then rectify it whenever the harm is discovered and brought to their attention. Rectification could be done voluntarily or in response to some sort of encouragement, such as moral suasion, normative pressure, legal threats, regulatory rulings, court orders, and the like.” Campbell (2007, p. 951)

² The special role of Proverbs in the African teaching tradition is developed in Gichure (2006, pp. 47-51).

³ “SME” stands for small and medium-sized enterprises. Its definition depends of its use and adaptation to the cultural and economic environment. Taking as a reference the EU recommendation 2003/361, the main factors determining whether a company is an SME are: a) number of employees < 250; and b) either turnover ≤ € 50 m or balance sheet total ≤ € 43 m. These ceilings apply to the figures for individual firms only. A firm which is part of larger grouping may need to include employee/turnover/balance sheet data from that grouping too. The diverse definitions for SMEs in developing countries stress indicators such as number of employees, annual turnover, ownership types and formal/informal economy status (Jamal et al., 2009).

Campbell's definition is particularly appropriate to this paper for two reasons. First, because it demands from SMEs just the minimum "behavioral standard" (Campbell, 2007, p. 951). Effectively, this minimum is adequate because in countries with weak institutions like the DRC firms in general "are more likely to behave irresponsibly than they would if such institutions were present" (Campbell, 2007, p. 951); and because the characteristics of SMEs in these areas do not encourage their socially responsible behaviors (Azmat and Samaratunge, 2009, pp. 440-441).⁴ The second reason is the fact that Campbell opens the possibility to the change of behavior ("rectification") of firms under different kinds of influence: voluntarily, under a moral influence or under a legal constraint. Precisely this possibility of rectification will be studied here for SMEs under the influence of business networks and of SOs like CADICEC.

In synthesis: both the institutional environment and individual SME characteristics constitute strong incentives for irresponsible social practices in developing countries. However, less harmful practices (in Campbell's terms) or more responsible behaviors are possible and real in many cases (Azmat and Samaratunge, 2009, p. 448). This article explores the enforcement of SME networks and the action of SOs as ways to enhance the CSR of these firms. In the next subsection we discuss the concepts of business network and SO, applied to the reality of Sub Saharan Africa (SSA).

BUSINESS NETWORKS

A business (or strategic) network can be defined in the following terms:

⁴ As a matter of fact, irresponsible social behaviors of SMEs in poor countries include: the sale of substandard or unsatisfactory goods and services, price hikes, lack of necessary information for consumers, deceptive advertising, power abuse, little after-sales service and very little concern for environmental protection (Azmat and Samaratunge, 2009, pp. 441, 446). These behaviors are more likely because the institutional environment lacks efficient legal mechanisms for resolving conflicts or for enforcing contracts (Azmat and Samaratunge, 2009, p. 444). Other causes are linked to SMEs themselves: individuals are often forced to be entrepreneurs for their own survival; they are concentrated narrowly on their own business activities and alienated from social and political life; and they seem to be ignorant about the importance of developing reputation, goodwill, visibility to the public and trusted relationship with their customers (Azmat and Samaratunge, 2009, pp. 440, 442; Orford et al., 2004, p. 12).

“[S]trategic networks...are composed of interorganizational ties that are enduring and of strategic significance for the firms entering them ... A key characteristic of networks is repeated and enduring exchange relationships between the actors in the network...This definition of networks includes a wide range of forms, including intracorporate business units, strategic alliances, franchises, R&D consortia, buyer-supplier relationships, business groups, trade associations, government-sponsored technology programs, and so on” (Inkpen and Tsang, 2005, p. 147).⁵

Applied to the case of SMEs, business networks have the potential to develop different advantages, mainly: support transactions and improve possibilities for market exchange (Biggs and Shah, 2006, pp. 11, 34); provide occasions for SME owners to learn through the communication of experiences (Fielden et al., 2000, p. 302); help develop strategic alliances or share infrastructure services (Isaacs, 2007, p. 33); and offer collective information to help governments to adjust public policies (Orford et al., 2004). The lack of such networks results often in conscious decisions by business owners not to expand or develop their enterprises (Fielden et al., 2000, p. 303), or to abandon the formal economy and operate in the informal sector⁶ (Mutamba, 2006, pp. 33-34).

There are also potential problems derived from business networks. In SSA, one potential source of problems is the fact that such networks are often ethnically based (Fafchamps, 2000, p. 207). In particular, powerful business networks are composed of non indigenous-African groups; and these networks normally exclude from operational credit or information exchange indigenous-African SMEs, which suffer from a coordination

⁵ From a relational or contractual perspective, a firm is “an island of conscious power” in the ocean of unconscious market exchanges (Coase, 1937, p. 388). According to Ronald Coase, this island emerges because, under the direction of the entrepreneur, internal economic exchanges (or “transactions”) have lower costs than the equivalent market exchanges (1937, pp. 390-392). But firms operate always in imperfect legal and economic contexts; and therefore the objective of a firm wishing to maximize profits is, arguably, to build an “architecture of contracts and relationships” capable of assisting in overcoming market and government failures while reducing transaction costs (Biggs and Shah, 2006, pp. 2-3). This “architecture of contracts and relationships” constitutes a business network.

⁶ The informal sector is defined as work that “involves the paid production and sale of goods or services that are unregistered by, or hidden from the state, for tax and/or benefit purposes, but which are legal in all other aspects” (Small Business Council, 2004, 8).

failure (Biggs and Shah, 2006, pp. 4, 5, 32).⁷ The economic costs derived from this exclusion are principally: reduction of the competition and the efficiency of a particular industry; decrease of the allocative efficiency of financial capital (investment capital is constrained to seek returns only in limited activities); waste of young talent, which concentrates in these limited activities looking for highest returns; reduction of the average quality of local entrepreneurship in potentially important areas of comparative advantage; and promotion of income disparities between groups that fuel political tension (Biggs and Shah, 2006, p. 26; Fafchamps, 2000, p. 206).

SOs IN SUB SAHARAN AFRICA (SSA)

As mentioned before, this paper explores the potential of SOs in promoting the CSR of SMEs by means of the help that such SOs can provide to individual SMEs or to SME networks. It is necessary therefore to characterize and analyze SOs. As quoted above, they are defined as "... organizations that have been established to assist people to start or manage their existing businesses or to help grow the businesses" (Isaacs, 2007, p. 32). Papers focused on the reality of Sub Saharan Africa –SSA– (DTI, 2004; Isaacs, 2007; Biggs and Shah, 2006; Ekwa, 2006) point at two main sets of services provided by SO to SME networks: the support to individual SMEs and the help in addressing deficiencies in the institutional environment where SMEs operate.⁸

The support to individual SMEs includes three main areas, according to Isaacs (2007, pp. 32-33): education and training; consulting, counselling and coaching; and research. The Department of Trade and Industry in

⁷ One important reason for non indigenous network formation is the legal and political vulnerability of foreigners in their relationships with indigenous Africans: "Members of important minority ethnic networks in SSA, like the Indian-Asians in East Africa or the Lebanese in West Africa, find it exceedingly difficult to enforce contracts against indigenous-African businesses in a setting where there is great potential for ethnic conflict and minorities have limited political leverage" (Biggs and Shah, 2006, p. 24).

⁸ Arguably, the relationships that shape business networks can be internal or external to the firm. *Internal* relationships involve issues that in principle can be directly addressed by the individual entrepreneur; in contrast, *external* relationships are those that fall, a priori, beyond the reach of the owner (Selemanimeba and Wela, 2006; Held and Preuss, 2009). Based on existing literature (Freeman et al., 2007; Held and Preuss, 2009), we contend that external relationships coincide with the relationships between the firms and their institutional environment.

South Africa breaks down these three areas into the following activities: “supply of relevant business information and market intelligence, advice facilities, mentoring facilities, accessible publications, information about rules and regulations, scope for research work, or dissemination of research outputs, guidance towards entrepreneurship, promotion facilities and details about local and nearby training opportunities”; and the support to specific groups of entrepreneurs (women, people in rural areas, young people and disabled) (DTI, 2004; pp. 69-70).

The second set of services relates to the help that SOs can provide in addressing institutional deficiencies that affect SMEs. In fact, in SSA, these institutional deficiencies translate into serious obstacles to the survival and responsibility of SMEs: these firms are deprived of necessary capitals because of limited access to credit or to insurance; their products cannot be sold beyond local markets due to underdeveloped transportation systems; and instable economic and legal systems offer incentives for irresponsible/opportunistic behaviours that seriously damage an efficient and sustained entrepreneurial activity (Azmat and Samaratunge, 2009; Biggs and Shah, 2006; De Faily, 2006; Isaacs, 2007; Pubu and Munga, 2006; Selemanimeba and Wela, 2006; Sesep N’Sial, 2006; Tekila, 2006).

In this complex institutional environment, SOs can play an important role as catalysts or visible heads of business networks (Biggs and Shah, 2006; p. 2).⁹ Actually, if the government fails to enforce legal contracts, banks do not provide credit or insurance, and firms deny inter-temporal arrangements, then ties between components of a SME network may be developed in order to fulfil these functions. In relation with the network, SOs have the potential to “... assist SMEs in developing private institutional support arrangements” (Biggs and Shah, 2006, p. 32). In other words, SOs can enforce *relational* contracts in institutional environments where the existing enforcement of *legal* contracts is weak.¹⁰ Biggs and Shah

⁹ Biggs and Shah present three kinds of support systems alternative to formal institutions for SMEs in SSA: long-term business relationships; large firms that act as “catalysts” and mediators of trust relationships between SMEs; and associations of local community clusters or networks (Biggs and Shah, 2006, p. 2). Arguably, SOs can be included in the third group.

¹⁰ A relational contract is a relationship between actors enforced by mutual trust, and not by formal institutions like governments or courts. Trust is built on a history of successful repeated transactions between these actors. When contracts are enforced by formal institutions like governments or courts, they are considered legal contacts (Biggs and Shah, 2006, pp. 7-8).

(2006, pp. 32-38) break down this enforcing function in three main arrangements:

1. Create a better environment for the development of SME networks: networks that are efficient in enforcing relational contracts at early stages of economic development.
2. Address undesirable network effects: exclusion of outsiders, overall economic lack of efficiency, reduction of innovation, etc.
3. Strengthen formal institutions to promote the transition to a broadened competitive market ruled by both relational *and* legal contracts.

From a CSR perspective, these arrangements are not *necessarily* positive. In fact, Campbell contends that what institutions do is just to *increase the likelihood* for a firm to behave responsibly: “[firms in general] are more likely to behave irresponsibly than they would if such institutions were present” (Campbell, 2007, p. 951). As a matter of fact, SME networks have the potential to promote either socially responsible or socially irresponsible individual firms. Certainly, networks open the possibility for SMEs to survive and grow in equal conditions with existing bigger firms. Under such conditions, it is up to individual firms to behave more or less responsibly. And here comes the role of SOs, which, in line with Campbell’s definition of CSR, can promote “rectifications” (changes in the behaviour) by means of “encouragement” or “moral suasion”.

RESEARCH QUESTION

Based on the framework that has been presented, the question that guides our research is: What are the main issues to be considered by a SO that wishes to promote the CSR of SMEs, both at the level of individual SMEs and in the address of institutional inefficiencies?

METHOD

THE ELECTION OF THE DRC AND OF CADICEC

The editors of the special issue on “SMEs and CSR in Developing Countries” underline the fact that “the expressions and manifestations of socially and environmentally responsible behaviour in SMEs in developing countries” have been scarcely documented beyond Latin America and India (Jamali et al., 2012). In line with this gap, the DRC happens to be, as mentioned before, a significant country in SSA: the third biggest in population; one of the poorest in HDI in 2011; geographically central in the continent; and one that has received scarce attention in research in the field of CSR.

As for the election of CADICEC, it is an old organization (it was created in 1956, still in colonial times) and a leader in the training of managers in the DR Congo. In addition, CADICEC is member of an old global Association of Employer Organizations: UNIAPAC (Union Internationale des Associations Patronales Catholiques– International Union of Catholic Employer Organizations), founded in 1931 (<http://www.uniapac.org>). Finally, CADICEC’s initiatives in supporting individual SMEs and in addressing the institutional deficiencies that affect SMEs are very well documented, particularly in Ekwa bis Isal (2006a).

DATA SOURCES AND CASE DEVELOPMENT

The data presented below refer, first, to the socioeconomic *context* of SMEs in the DRC; and second, to the specific *case* of CADICEC. For the case, data come from secondary sources and from interviews.

The connection between context and case has been double sided, thus allowing the authors to elaborate progressively the answer of the research question. Effectively, on one side, secondary information on SMEs in DRC has provided, first, clues to select, relevant articles referred to how CADICEC is helping individual firms and trying to modify their socioeconomic context; and second, to ask relevant questions on this SO in the interviews. On the other side, the case of CADICEC and the interviews have helped to better understand the context of SMEs in the DRC and the individual and collective challenges they face. This double connection has raised naturally the questions of CADICEC’s inspiration:

question that has been clarified with the help of secondary data, and particularly interviews.

The data on the context come from secondary sources cited in the section of References. It is important to underline that the specific information on SMEs is drawn from local specialized reviews and bulletins.

The data on CADICEC have two main sources: articles or book chapters; and interviews. As for the interviews, they were focused on the activities of support to individual SMEs in order to identify their main problems to survive and to progress towards more socially responsible behaviours. The underlying question of inspiration was also addressed in the interviews, particularly with the two Secretary Generals of the organization. The specification of interviews is as follows. Two interviews on the role of support of CADICEC to SMEs, the activity of institutional building and the inspiration were held with Martin Ekwa bis Isal, Secretary General of CADICEC (1983-2010) in Kinshasa on the 17th of July 2007, and on the 8th of July 2009. The third interview, focused on the everyday task of support to individual SMEs, asked the opinions of two CADICEC trainers of SME managers in Kinshasa, Ms. Cecile Luyeye and Mr. Joseph Mayala: it took place also in Kinshasa on the 9th of July 2009. The fourth interview, which deepened in the importance of networks and the relationships between indigenous-African and non-indigenous ethnic networks, was held with the present Secretary General of CADICEC, Dr. Paulin Manwelo, in Barcelona on July 20th 2012.¹¹ All the four interviews lasted between 40 and 60 minutes, were conducted in French, were semi-structured,¹² and consisted of a face-to-face verbal interchange (Fontana and Frey, 1994). The interviewer (one of the authors of this article) registered these conversations and transcribed them afterwards.

¹¹ At the end of this fourth interview, the authors of this article had the impression that, apart from certain information on non indigenous business networks, the information was somehow repeated from the other interviews or from secondary data already consulted. This “repetition” was interpreted as a sign of *theoretical saturation* (in the terms of Grounded Theory): “... (within the limits of available time and money) ... the researcher finds that no new data are being unearthed. Any new data would only add, in a minor way, to the many variations of major patterns” (Strauss and Corbin, 1998, p. 292).

¹² These semi-structured interviews consisted of previously formulated questions mixed with improvised questions trying to deepen interesting issues appeared in the interviewees’ answers.

The references literally incorporated to the article were translated by the same author from French to English.

The Case Development below follows the logic of the theoretical framework and the research question. In fact, first, the political and economic context in the DRC is analyzed in order to found the deficient institutional context that triggers the need of business networks for the economic activity. Second, the presentation of SMEs in the country makes evident the specific difficulties of SMEs to survive and to be socially responsible. Next, the activities of CADICEC as a SO are described: in their inspiration/contribution to the promotion of CSR in individual SMEs; and in their attempts to address institutional inefficiencies that affect SMEs. Finally, the conclusions answer explicitly the research question and underline the main limitations and questions for further analysis.

SMEs IN THE DRC

POLITICAL AND ECONOMIC SITUATION

The DRC (Zaire until 1997) is the fourth most populated country in Africa, and –with 68.7 millions in 2011– the third most populated in SSA (UNDP, 2011). It is a big country (2.345.000 km²) and geographically central in the Continent, which has made it vulnerable to regional conflicts. It is also very poor: as mentioned before, in the 2011 Human Development Index it scored 187, the last of the listed countries (UNDP, 2011).

This dramatic situation has a political explanation. In fact, after the long dictatorship of Joseph Mobutu (1965-1997), two cruel wars (1996-2003) involving neighbouring countries (particularly Uganda, Rwanda and Burundi) made an estimate of more than 3 million dead. Peace and democracy arrived with the help of 17.000 UN soldiers and the active involvement of the International Community (Mària, 2005). After a very difficult political transition (2003-2007), in 2007 Joseph Kabila was elected first constitutional president (Obotela, 2007). Kabila himself won the elections of November 2011, in spite of founded suspicions of partial fraud: the young democratic Third Republic is difficult to consolidate (Obotela, 2012).

Economic reasons explain also the DRC's present situation. The Congolese economy holds a huge potential for development: tropical

forests, cultivable land, hydroelectricity, diamonds, gold, copper, cobalt and other minerals. However, Mobutu's rule destroyed the big colonial companies, which were replaced by strings of SMEs producing less efficiently and often in the informal economy (De Failly, 2006, p. 147). The business environment in the DRC is considered very bad: in 2006, the country scored 178 (last in the list) in the World Bank ranking *Doing Business*, although in 2012 it has progressed to number 175 (Mufungizi and Tiemann, 2012, p. 336).

In synthesis, the political and economic context for business does not provide an institutional framework that could enforce the rule of law and facilitate open market transactions. Therefore, business networks become necessary for the economic activity.

SMES IN THE DRC

Firms in the DRC have been classified in four groups: State-owned firms (controlling certain key sectors); big private firms (majority of foreign companies); SMEs in the formal sector; and SMEs in the informal sector (Mufungizi and Tiemann, 2012, p. 338). SMEs are fundamental because they provide jobs and income: basic tools to reduce poverty (Mufungizi and Tiemann, 2012, p. 335).

The activity in the informal sector is estimated between 70% and 90% of the Congolese economy (Mufungizi and Tiemann, 2012, p. 342). The last evaluation of SMEs in the informal economy is dated in 2004 and includes only the District of Kinshasa. In this study (Mufungizi and Tiemann, 2012, pp. 344-345):

- Around 540.000 SMEs were identified, which provided 692.000 employees (70% of the total employment in the District), in comparison to 12% in the private formal sector and 17% in the public sector.
- The distribution by activity resulted in 63.2% of these firms operating in trade and retail; 14.8% in manufacturing and industry; and 12.3% services.
- In terms of gender, 61.8% of entrepreneurs were women.¹³

¹³ Mufungizi and Tiemann (2012, p. 334) classify Congolese firms in: big (more than 100 employees), medium (10-100 employees), small (6-9) and very small (1-5).

The main problems of SMEs (both formal and informal)¹⁴ in the DRC can be classified in *internal* and *external* (Selemanimeba and Wela, 2006). Internal problems are related to factors that in principle can be directly addressed by the individual entrepreneur; external problems fall beyond the reach of the individual firm and are related to the institutional context.

The main internal problems are the following. First, many SMEs produce low quantities and low quality, which prevents them from the development of commercial relationships with big companies. In addition, SME entrepreneurs lack information about market skills, accountancy, and relevant legislation. The majority of them work just for short term material subsistence; they manage subjectively their human and financial resources; and they are subject to a culture of *extended family solidarity* (relatives of the manager feel often free to exact money or products from the firm) that threatens the survival of the firm. Finally, some SME discriminate women, who are excellent entrepreneurs (Selemanimeba and Wela, 2006; Sesepe-N'Sial, 2006; Tekila, 2006).

External problems are closely connected with the political and economic situation described above. In fact, the historical legacy of dictatorship, wars and complex political transition have caused fiscal deficits, fiscal corruption, insecurity in legal titles to property, episodes of plunder, and inflation out of control. Additionally, the support sectors to SME face serious limitations: deficient systems of transportation and inefficient systems of telecommunications prevent the creation of an integrated national economy; water and electricity high prices combined with frequent shortages obstruct the standardization of products and the regular development of productive processes; difficult access to loans strangles the capacity of many companies to survive or grow; and political instability, red tape and corruption brake or prevent the business activity (Selemanimeba and Wela, 2006; Sesepe-N'Sial, 2006; Tekila, 2006; Mufungizi and Tiemann, 2012).

In spite of these problems, the Congolese society displays several positive features for the development of SME: actually, the SME that

Quantitative estimates about the number of SMEs in the Congolese economy are not available, in part because of the high proportion of the informal sector Mufungizi and Tiemann (2012, pp. 341ff).

¹⁴ In general, SMEs in the DRC prefer to stay in the informal sector, because they have more advantages than in the formal economy (Mufungizi and Tiemann, 2012, p. 377).

have survived in adverse conditions of war and economic instability display high degrees of flexibility, creativity and dynamism. In addition, the lack of an effective or enforced legislation makes it very easy to create an SME: a low initial investment and a quick start of the activity are observed characteristics in the Congolese economy. Finally, the labour market is full of young workers, resigned to earn low salaries (Selemanimeba and Wela, 2006; Tekila, 2006).

In brief, the most difficult conditions (both internal and external) under which SMEs operate in the DRC make it difficult for them to survive and to be socially responsible. Therefore, the creation/enforcement of business networks and the collaboration of a SO might be crucial for the attainment of these two goals. It is time to analyze whether and how CADICEC is helping in such important tasks.

CADICEC: A SO IN THE DRC

CADICEC (Action Centre for Leaders and Managers in Congo, in French acronym) started in 1956, under the direction of the Belgian Jesuit Fr. Vincent Charles, with the mission of fostering the debate of Belgian colonial company leaders on their professional responsibilities. With the Independence (June 30th 1960), CADICEC becomes a centre where old colonial and new indigenous leaders exchange opinions on the new situation, and it offers training to the emerging African indigenous leading class (Ekwa bis Isal, 2006b, pp. 12-13). In 1963 CADICEC becomes member of the global Catholic Employer Organization UNIA-PAC, and has since participated regularly in its International Conferences (Ekwa bis Isal, 2006b, p. 12).

In 1983 the Congolese Jesuit Fr. Martin Ekwa bis Isal replaces Fr. Charles as Secretary General of CADICEC. In 1984, amidst a serious crisis of the Congolese industrial and commercial fabric, this SO expands its activity to the crucial sector of SMEs. In this direction, in 1999 CADICEC opens a delegation in Limété, a popular neighbourhood in Kinshasa, as a new interface between SME and the headquarters, located in Kinshasa's political and diplomatic neighbourhood of La Gombé. In 2003 the delegation of Limété starts the training and coaching of NGOs and Christian Religious Congregations.

In June 2010, the Congolese Jesuit Fr. Paulin Manwelo replaces Fr. Ekwa as Secretary General. Presently, CADICEC's activity is concen-

trated in the biggest Congolese cities of South Western DRC (mainly Kinshasa but also Matadi and Kikwit). In a much lesser degree, Lubumbashi (South East) Mbandaka (North East) and Kisangani (North East) received in 2011 missions from the organization. In general, the activity far from Kinshasa is difficult because of the deficient Congolese communications system. Otherwise, the size of the Capital of DRC (around 10 millions) is incomparable with the size of other cities (Lubumbashi, the second city, has around 1.5 millions).

The presentation of CADICEC's activities starts with the support to individual SMEs; follows with the tasks aimed at addressing institutional inefficiencies (Biggs and Shah's three main arrangements mentioned above); and ends with the presentation of CADICEC's inspiration in the African institution of the Palaver Tree, connected with the promotion of CSR.

SUPPORTING INDIVIDUAL SMES

CADICEC has developed a method of SME *support* (in French, *accompagnement*) (Tshilombo, 2006, p. 39). This method includes the promotion of informal businesses (particularly those owned by women) into the formal economy, in three complementary stages: reporting, training and consulting (Tekila, 2006, pp. 47-55).

- *Reporting*: CADICEC employees periodically walk the streets of Kinshasa with the objective of discovering new SMEs, contacting them, and reporting on them.¹⁵ Reports focus on internal organization and performance of each SME, in order to discover its strengths, weaknesses, difficulties and ambitions. During each report elaboration, managers are asked about their interest and abilities to attend training sessions, and about specific skills they would like to develop in such sessions.
- *Training*: the election of subjects and methods for training sessions are in direct relationship with the results of the reporting stage. The

¹⁵ This initiative of actively offering services is very necessary in the African context. In fact: "These owners [of SMEs] are frequently not even aware of the existence of support organizations, because in many instances the organizations do not market their services properly due to limited funds" (Isaacs, 2007, p. 31).

Table 1. CADICEC's training courses in recent years

Year	Middle Firm (1) Managers trained	Small and Very Small Firm (1) Managers trained
2007	56	117
2008	30	222
2009	230	289
2010	98	276
2011	198	75

Source: Interview with Paulin Manwelo, 2012.

(1) Following Mufungizi and Tiemann (2012, p. 334), Middle Firms are considered here firms with 10 or more employees; Small Firms with 6-9 employees and Very Small with 5 or less employees.

pedagogy fosters an active involvement of all participants, and offers simulations or cases. Training programs are oriented to: entrepreneurship; basic principles of trade; introduction to management and accountancy; social and fiscal regulations; business ethics; dynamics of groups; governance; and marketing. One of the most important seminars in this stage is called "Socio-cultural constraints", where the two fundamental cultural problems of SMEs are addressed: the extended family solidarity; and the illegal financial requirements by public officials. The Appendix to this paper includes quantitative data on CADICEC's training sessions in recent years (table 1).

- *Consulting* is a permanent service of support to managers. CADICEC's technicians/trainers visit managers in their companies, or receive managers' visits in the organization's facilities, in order to help apply the knowledge studied in training sessions. At this stage of consulting, managers become good friends of CADICEC, and trust with CADICEC's trainers grows. As a matter of fact, Ms. Cecile Luyeye, a trainer, states with joy: "Managers we help call us, visit us and stop us on the street when they meet us (...) we are a big family!"

The activities of reporting, training and consulting are significant for the CSR of SMEs. In fact, given that the values of business ethics and fight against corruption are present in the training process of managers, it is likely that the survival and growth of SMEs go hand in hand with

socially responsible behaviors. In this respect, CADICEC is “encouraging” and exerting “a moral suasion” on SMEs (Campbell, 2007).

ADDRESSING INSTITUTIONAL INEFFICIENCIES

As pointed out in the theoretical framework above, Biggs and Shah (2006, pp. 32-38) break down the function of addressing institutional inefficiencies in three main arrangements: creating a better environment for networks; addressing undesirable network effects; and strengthening formal institutions. We follow the same division to present CADICEC’s activity at this level.

- *Creating a better environment for the development of SME networks.* Since 1960, CADICEC was involved in the training and promotion of indigenous leaders; and its present task enforces also indigenous SMEs. In their task to promote individual SMEs, CADICEC’s leaders and employees have identified a crucial issue for the survival of firms: the financial plunder of the firm by the owner’s relatives with the excuse of extended family solidarity.¹⁶ CADICEC’s answer consists, first, (as mentioned above) in underlining this problem during the training sessions and the consulting activity; second, in offering managers an alibi to resist their relatives’ pressure: these managers avoid the plunder by claiming that in reality the firm does not belong to them but to CADICEC; and third, in trying to promote agreements between SMEs that are developing the same activity (horizontal concentration) or between SMEs along the value chain (vertical concentration). Nevertheless, CADICEC’s failure in this task of horizontal and vertical concentration is high, and is probably related with a cultural problem that the Congolese population summarizes in a blatant expression: “Congolese do not love one another”. It reveals: that indigenous Congolese networks are not always functional to business; that they lack coordination; and that the role of CADICEC as SO has the potential to create and enforce business networks –alternative to family networks– that allow SMEs to survive.

¹⁶ This concept of extended solidarity is typical of several African countries: Mabila (2009).

These alternative business networks are enforced in the CADICEC Annual Meetings: they consist of three-day events where all managers linked to the organization increase mutual trust, and in occasions set inter-firm deals. One instance of inter-firm deals is the platform to support SMEs operating in the food trade industry in Kinshasa, created in 2004 by CADICEC and other SOs (Mpeti-Batia, 2006). Other initiatives to encourage firms' activity in specific industries have been launched with CADICEC's initiative or active participation (Selemanimeba, 2006, p. 146).

- *Addressing undesirable network effects.* CADICEC does not exclude any SME or manager because of their ethnic or national origin. In fact, the relationships of CADICEC with European firms are good. However, the relationships with Indians, Pakistanis, Lebanese or Chinese are much less developed.¹⁷ In their turn, some of these Asian networks are powerful actors: they are well coordinated and overcome successfully the problems of a weak institutional environment. In some cases, these networks force the exclusion of indigenous African firms from specific industries. For instance, in the production and commercialization of bread in certain districts of Kinshasa, Congolese producers have tried to enter the gross market controlled by Asian networks: their reaction has been the violent boycott (destruction of production plants) to eliminate this concurrence; and in the occasions when they have been sued, they have often bribed the Courts of Justice. In other cases, the exclusion of indigenous Africans is only a question of efficiency: in 2011/2012, Lebanese bread producers in Kinshasa have started to send by truck just-baked bread to the cities of Kasongo-Lunda and Kikwit. Since this bread has higher quality and the same price than the one produced by indigenous Congolese businesses in these cities, the latter have been displaced from the market. In front of this problem, CADICEC encourages indigenous African SMEs to improve their skills and the quality of their products in order to be more competitive.¹⁸

¹⁷ According to Paulin Manwelo, Asian managers are less respectful of the rule of law than the European ones. In addition, Asians invest less in Human Resources training and treat with less respect their Congolese employees than the European patrons.

¹⁸ It is worth noting that a present Congolese regulation clearly restricts the free market. Effectively, the Congolese law allows foreigners to produce, import and trade

- *Strengthening formal institutions.* CADICEC has contributed to strengthen formal institutions by leading initiatives or becoming a platform for open debate on legal and economic issues affecting the survival and growth of SMEs.
 - a) The CADICEC Annual Meetings are an occasion, not only to strengthen network ties, but also to interact with the Public Administration: at the 1999 Meeting, the Congolese National Administration started a fruitful dialogue with firms on the practical application of economic legislation affecting SMEs (Tekila, 2006, p. 53). And the 2002 Meeting on Finance and SMEs allowed Congolese Banks to discuss the specific financial needs of SMEs and to set agreements on future actions.
 - b) CADICEC lobbied (with a positive result in 2000) for the creation of a Department for SMEs in the DRC Government, under the responsibility of the Minister of Finance (Ekwa bis Isal, 2006b, p. 16). It also contributed to the fight against corruption: in September 2001, a Seminar on “A National Strategy to Fight Corruption” was held in Kinshasa under the direction of CADICEC. The document following that meeting was adopted by the Inter-Department Commission for a Strategy Against Poverty in November 2002. CADICEC contributed to the diffusion of this document by organizing several seminars on the subject (Mutamba Lukasa, 2006, pp. 172-188).
 - c) Since 2002, CADICEC diffused the contents of the Labour Code and its legal applications, by means of the free distribution of printed copies and of the organization of several seminars on the application of the Code. Actually, compliance with this Labour Code is a protection for Congolese workers, but also for Congolese SME and NGOs against the corruption of certain public officials who try to force firms to pay bribes (Bony, 2006, pp. 233-234; Ekwa bis Isal, 2008).

in the gross market; but interdicts them to enter the retail trade, which is restricted to Congolese nationals (Selemanimeba, 2006, pp. 148-150). In spite of this interdiction, foreigners have entered this field of retail trade (Selemanimeba, 2006, pp. 147-148). For instance, in recent years, Chinese women sell pastry products (including the popular “baignées”), soap or sugar in small quantities in poor neighbourhoods. Again, the claims of Congolese associations of traders are ignored by the police or by judges.

- d) In 2004, CADICEC promoted the Public Administration Reform in the DRC: that year, the Consultation Committee of the Public Administration Reform met in the CADICEC's Headquarters under the presidency of Martin Ekwa (Akele and Masanga, 2006, pp. 204-206). Still in this area, in 2009 this SO accepted to lead a selection of public officials for the Kinshasa City Hall and for the Kinshasa Province.
- e) Under the leadership of Secretary General Martin Ekwa, CADICEC developed a series of activities with the label of "the Common House" (Mabi, 2006, pp. 108-111). The Common House included, first, a series of meals organized by Secretary General in CADICEC's Headquarters. In these meals, Father Ekwa used to invite different cultural, economic and political leaders for a cordial and relaxed interaction. These meals covered a serious deficit of communication which stands at the base of grave misunderstandings and conflicts in the country. A special group of guests in the Common House –and very relevant for the future of the DRC– was the Diplomatic Community: ambassadors and their staffs used to share table and conversation with Congolese leaders who were absent in other *fora*. Other Common House activities have been: a basic contribution to the elaboration of the Plan of Accountancy of Congo (Kinzonzi, 2006, p. 135); the support to Common Cause, a platform of political lobby for the rights of Congolese women (Biebie, 2006, pp. 166-171); and the reception in 2004 at CADICEC's Headquarters of the team in charge of the Second National Report on the Sustainable Human Development in the DRC (Tshika, 2006, pp. 189-196). According to its promoters, the Common House activities have offered a significant service to the enforcement of formal institutions through the debate on public issues.

"The Common House has reached globally its goal: help men and women who, at different levels, lead the destiny of our country, to know each other as a first and necessary step in order to better serve our common cause, i.e. fostering the happiness of the Congolese People" (Mabi, 2006, p. 109).

INSPIRATION: CSR AND THE PALAVER TREE

As mentioned above, arrangements addressing institutional inefficiencies do not necessarily promote the CSR of SMEs operating under these new conditions. Nevertheless, if such conditions open spaces that were closed to new SMEs, then SMEs can take profit of the occasion at the same time to survive and to increase their social responsibility. Here the role of a SO is both the promotion of such open spaces and the encouragement of individual SMEs towards socially responsible practices (Campbell, 2007). This seems to be the case of CADICEC. For this task, it finds its inspiration in the traditional African institution of the Palaver Tree. The *Palaver Tree* is a pre-colonial rural institution consisting of an open debate developed under a Sacred Tree according to a ritualized method based on proverbs and narratives (Sopova, 1999).¹⁹ As a matter of fact, Fr. Martin Ekwa compares CADICEC with the Palaver Tree: “Palaver Tree, not a lobby; welcoming centre, not a secret chapel for selected members, Secretariat that accompanies enterprises and NGO based upon ethical principles that are necessary for their life and development...” (Ekwa, 2006, p. 19). CADICEC is here opposed to a “secret chapel for selected members”: an expression referred to certain associations that are exclusive for members bound by secret religious rites, and pursuing similar secret economic or political goals (Commission for Africa, 2005, p. 128). Such associations have a powerful penetration in professional fields like doctors, university professors, politicians and the business community. They normally promote exclusive institutional arrangements that damage seriously the open market for SMEs. In this context, it is likely to contend that CADICEC’s inspiration and actions are not only promoting an institutionalization that includes all SME networks, but also encouraging the CSR of SMEs.

¹⁹ Particular examples of palaver are the *fokonolona* in Madagascar and the *debo* in Ethiopia (Sopova, 1999). Since 1992, in the Republic of Mali the spirit of the palaver tree has been institutionalized in a form of direct democracy called “Espace d’Interpellation Démocratique” (Democratic Question Time) (Lerner, 1999, p. 40). And Nelson Mandela acknowledges that his notions of leadership have been “profoundly influenced” by the observation of this kind of assemblies (Sopova, 1999).

CONCLUSIONS

THE PROMOTION OF CSR BY SOS

The research question guiding our paper has been: What are the main issues to be considered by a SO that wishes to promote the CSR of SMEs, both at the level of individual SMEs and in the address of institutional inefficiencies? We answer this question after the Case Development of CADICEC.

At the level of individual SMEs, the main issue identified is the *cultural change* that SME managers need to make in order to avoid the plunder by family networks. This change, if monitored by a SO aware of the importance of CSR, can lead SME managers to combine the training in technical skills with the promotion of values of social responsibility. In this way, the survival of the firm and the promotion of CSR are linked. The case of CADICEC offers an example of this simultaneous task: as mentioned above, in the process of training, courses on business ethics and on fight against corruption are taught next to the different disciplines of management.

One key issue in the role of SOs in addressing institutional inefficiencies is the *advancement of the rule of law*. As a matter of fact, the fight against exclusion of indigenous networks boils down, in the case of a SO, to the fight against the corruption of courts or of public officials by non indigenous African networks that use illegal means to eliminate market competition. But when the *market competition* is legitimate, a SO needs to enhance managers' skills, production efficiency and product quality in order to enhance the competitiveness of indigenous networks.

A second fundamental issue in the field of institutional failures is the *promotion of the public debate*. In fact, the multi-faceted leadership of CADICEC in the dialogue with different actors on crucial problems affecting the institutional environment of SMEs illustrates the importance of a transparent public debate. Actually, the case has showed how either non indigenous groups (Biggs and Shah, 2006) or African secret chapels (Commission for Africa, 2005) try to modify this institutional environment in a way that promotes their particular interests at the expense of the common interest. Such interests include illegal and unethical actions to block the growth of SMEs emerging from the informal sector. In contrast, inspired by the Palaver Tree, CADICEC has promoted the transparent debate between the different actors affected by specific prob-

lems, thus enforcing an inclusive institutionalization. Consequently, the promotion of CSR requires from SOs to facilitate and foster a transparent debate on the institutionalization of norms that will define the economic and social context of operation for SMEs.

It is the moment to stress that these four issues (cultural change, rule of law, market competition, public debate) are intimately connected from a CSR perspective. Certainly, as mentioned before, the rule of law, market competition and a transparent public debate on the legal and economic institutionalization do not promote necessarily the CSR: they only increase the likelihood of socially responsible behaviours in SMEs (Campbell 2007). But as long as CADICEC encourages the change in individual SMEs to a culture of CSR, then the rule of law, market competition and the public debate are opening a space for such SMEs to operate in a more socially responsible way.

LIMITATIONS AND FURTHER RESEARCH

The first limitation of this paper consists in a potential bias in the analysis because of the lack of alternative reliable sources: it would have been interesting to hold interviews with leaders of non indigenous-African business groups, in order to capture their perspective and the difficulties they face because of their ethnic/cultural difference. A second limitation might come from a subjective personal affinity. In fact, this paper's first author is a Jesuit and friend of Martin Ekwa and Paulin Manwelo (respectively, former and present Secretary Generals of CADICEC). However, the second author of the paper has consciously worked to correct this possible bias by being particularly critic in the analysis of the organization. A third limitation is the fact that CADICEC's activity is strongly concentrated in Kinshasa, the capital of the country. Even if Kinshasa is by far the most populated city in the DRC, the study of SOs operating in other cities would have been significant. Nevertheless Kinshasa constitutes –as it happens probably with other capitals in SSA – a coherent geographic area for a study on SMEs and their institutional context.

The paper opens different ways for further research. First, in line with the crucial role of culture in the success or failure of a firm in SSA, the tensions between culture and business are far from being adequately understood (Fafchamps, 2000; Biggs and Shah, 2006; Mutamba, 2006; Mana, 2009). Therefore, wider research is needed on the mutual influences

between religion and traditional African culture on one side, and business mindset of SME managers on the other (Fafchamps, 2000, p. 207; Azmat and Samaratunge, 2009; Mabiala, 2009). Second, in the field of public debate and institutional development, it is relevant to continue exploring the relationships between SOs and the relevant actors that can promote the CSR of SMEs. In fact, a SO whose goal is to foster the CSR of SMEs needs to understand the alliances that each group of actors is sustaining, and try to create or enforce those alliances that promote an inclusive institutionalization and active CSR behaviors. For instance, we have identified a potential inclusive alliance formed by SME networks and bigger firms (middle firms or multinational enterprises), where the latter act as coordination agents and foster the survival and CSR of SMEs by becoming their clients (Biggs and Shah, 2006, p. 2). Consequently, a SO that promotes CSR should be aware of, and promote such alliances.

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