This article is based on the text of a speech given at the EBEN Conference in Valencia, Spain in September 2001. It has not been previously published in English.

In the following I would like to propose and argue for the view that exercising corporate responsibility, the epitome of corporate ethics, is not only possible but also necessary for small and medium-sized enterprises (SMEs) to become and remain successful in the global economy; furthermore, by doing so, SMEs make significant contributions to improve globalization. In the ongoing fierce debate on globalization this uncommon view seems to be bold but unrealistic. It pleases those who are convinced that ethics are essential for sustainable business, but leaves skeptical those who can see nothing but an unrelenting struggle for survival in the international arena.

Understanding the difficulties

Let me, first, explore four arguments which seem squarely to invalidate my view. It is a truism that as we live today in an increasingly interconnected world which has been expanding beyond national borders, and, in this process, economic globalization has become a powerful engine, for better or worse. The rule of the game is “global competition” which seems to dictate everything affected by far-reaching market forces, not only in business but also in politics, technologies, communications, and cultural exchanges, to name just a few. How then should individual companies be able to resist the “iron rule” of global competition? How should they be able to overcome the straitjacket of “market mechanisms”? Traditionally, there seems to be only one way to restrain market forces, namely by laws and regulations. However, until now international laws and regulations have been by and large inadequate to control market forces. Thus the first argument holds that we need laws and politics, not ethics.

Second, it is said that we should focus on the big and powerful transnational corporations, the key players in economic globalization, which must be held accountable, also in ethical terms, for their impact on society and nature. By constrast, SMEs supposedly are only tiny fish swimming helplessly, though in large swarms, in the stormy sea of international business. Whatever they try to do, they have to follow the gigantic whales, being

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themselves unable to effectively improve globalization. Therefore, by focusing on SMEs, we place too high expectations on SMEs and divert our attention from the real problems of globalization.

Third, even if we concede a proper place for SMEs, as for small fish in aquatic populations, the basic question seems to be survival, not ethics. How can ethics play an essential role? Since SMEs are constantly struggling for survival, they have no time or resources left to spend for more noble purposes. Avoiding bankruptcy already indicates a big success. So ethics shouldn’t bother the small and hard-pressed companies but rather concentrate its efforts on the rich and powerful corporations.

The fourth argument reinforces the previous one when we consider SMEs in developing countries. In contrast to their sisters in developed countries, they cannot rely on multiple supportive structures such as access to information, high educational levels of employees, voluntary networks, and governmental subsidies. The chances of success are even smaller and the struggle for survival is even fiercer. Hence the relevance of ethics seems even more questionable.

In sum, my view stated above seems to be unrealistic indeed. Why should corporate ethical responsibility be not only possible but also necessary in order for SMEs to become and remain successful in the global economy? The more we advance from argument to argument, the more compounded the difficulties become. Is there a way to overcome these difficulties?

My answer is positive and twofold. First, we need to clarify the meaning of corporate ethical responsibility in order to come to grips with these difficulties; second, we need inspiration and encouragement from companies which prove by their actions that ethical SMEs can develop and even flourish in the global economy while significantly contributing to the improvement of globalization.

Clarifying the meaning of corporate responsibility

“Responsibility” is a key ethical term which has gained a dominant significance in contemporary moral understanding, often used as the epitome of ethics. In business circles, the notion of “responsibility” is intuitively understood, although it carries many connotations, and societal expectations of business behavior are frequently phrased in terms of responsibility. Nevertheless, surprisingly, little analysis of this key concept can be found in current textbooks and other literature of business ethics.

In the following I attempt to shed some light on this barely charted field by drawing on “the balanced concept of the firm,” developed by Lee Tavis and me (Enderle & Tavis 1998), and combining it with Amartya Sen’s “capability approach” and his ethical framework of a “goal-rights-system” (particularly Sen 1982, 1983, 1999; UNDP 2000: chap. 1; Symposium 2001). Given the limitations of space, I can only highlight several key features of this novel project that is a work in progress and needs much more scrutiny and elaboration (see also Enderle & Peters 1998, Enderle 2002, Enderle 2003).

Real freedom and ethical responsibility

The proposed concept of corporate responsibility (CCR), guided by the notion of “real freedom” and its interrelation with ethical responsibility, consists of three main features. First, analogous to an individual person, an organization is assumed to have a “space of freedom” which involves more than one possible course of action, can be bigger or smaller, can change over time, and is limited by constraints. The grasp (or descriptive-analytical determination) of the size of the organization’s space of freedom is an empirical question that needs to be answered by social science analysis and practical (business) knowledge, not by normative-ethical considerations. In correspondence to the space of freedom, an equal amount of ethical responsibility is postulated, according to the fundamental principle of ethics that “ought implies can”. In short, the bigger the space of freedom, the bigger the responsibility (see Figure 1). In affirming this correspondence, we only state that the space of freedom of a moral actor necessarily involves an ethical dimension, epitomized as “responsibility”.

Clarifying the meaning of corporate responsibility

“Responsibility” is a key ethical term which has gained a dominant significance in contemporary
whose contents is not yet determined. Note also that our general understanding of ethics is not limited to the question of how the spaces of freedom “within constraints” should be used, but also pertains to the question of which “constraints” should be chosen.

Economic, social, and environmental responsibilities of the company

The second feature of CCR concerns the nature of the business organization and its implications for mapping corporate responsibility. In the “balanced concept of the firm” we assume that the company is not a merely economic organization operating in the economic realm of society, but is also unavoidably involved, to some extent, in the social (that means political and socio-cultural) and environmental realms. Therefore, this triple involvement permeates every aspect of the company: its purpose and objectives, its processes, and its results. Furthermore, we assume that the economic, social, and environmental involvement implies three kinds of responsibility, namely economic, social, and environmental responsibility. They are interrelated in a circular, non-hierarchical manner, each kind containing its own intrinsic values. This means, for instance, that the company should be a good corporate citizen (as part of its social responsibility), not just because this has instrumental value to increase profit, but also because the company has a moral obligation of contributing to the well-being of society (which does not necessarily go hand in hand with making profit).

This threefold notion of corporate responsibility has been used in recent years by an increasing number of companies to define their missions, objectives, and performances. For instance, the Royal Dutch/Shell Group of Companies wants to deliver “economic progress, social development and environmental improvement” (Moody-Stuart 1999), highlights its concern with “People, Planet & Profit” and publishes progress reports on “economic performance”, “social performance”, and “environmental performance” (Shell Report 2000). And the International Finance Corporation, an arm of the World Bank Group, stated in its mission that “our investment and advisory activities are designed to reduce poverty and improve people’s lives in an environmentally and socially responsible manner” (IFC 2001).

How can we specify these three kinds of corporate responsibility more concretely? The balanced-concept approach suggests proceeding in two steps: first, by identifying the cognitive basis with its relevant questions in the different realms; and second, by evaluating these items from the ethical perspective. Accordingly, several items are listed, for the time being, without any particular order and priority (see Figure 2), which then are evaluated in terms of minimal ethical requirements, positive obligations beyond the minimum, and aspirations for ethical ideals (see Figure 3 and De George 1993: 184–193). Both dimensions, the cognitive and the evaluative, are essential for understanding corporate responsibility as concretely as possible. It is also noteworthy that a company can be “ethical” or balance its economic, social, and environmental responsibilities in many different ways (see Figure 4), provided that it respects its triple bottom line, meaning the minimal ethical requirements in the economic, social, and environmental realms.

Specifying corporate responsibilities in terms of capabilities of individuals

In order to further specify corporate responsibilities, I propose, thirdly, to apply Amartya Sen’s “capability approach” and his ethical framework.
of a “goal-rights-system” to the balanced concept of the firm. Sen’s work has been extremely fruitful in the fields of ethics and economics, social choice theory, development studies, and public policies. But, to my knowledge, it has barely been used, until now, for management and corporate decision making, although it offers a great wealth of theoretical insights with much practical relevance. Let me indicate several relevant applications. To capture the impact of corporate conduct in its processes and results, the capability approach provides an informational basis that is truly people-centered. It goes beyond the measurement of well-being in terms of income, commodities, and primary goods (J. Rawls), and it overcomes the unsolvable measurement problems of utilitarianism. It focuses on “real freedoms” or “capabilities” of people, which are theoretically well-founded and measurable, as the Human Development Reports of UNDP have demonstrated over the years. For international business, the capability approach offers consistent cross-cultural or universal standards, adaptable, at the same time, to different socioeconomic and cultural situations. It can be easily combined with the human rights approach. Within the framework of a goal-rights-system, purpose, mission, and objectives of the company are of outmost importance, substantiated in capability terms which also allows business strategies to be highly flexible in the ways of achieving those freedoms.

In his book Development as Freedom (1999) Sen distinguishes five sets of real freedoms: political freedoms, economic facilities, social opportunities, transparency guarantees, and protective security. With regard to business organizations, we now can ask about their responsibilities to promote these freedoms. More specifically, in what ways and to what extent can these real freedoms of people be related to the company’s economic, social, and environmental responsibilities? The short answer is straightforward: Economic facilities can specify economic responsibility. Political freedoms and social opportu-
nities can specify social responsibility (which pertains to the political and sociocultural realms). As for environmental responsibility, it can be substantiated by the environmental components involved in economic facilities, political freedoms, and social opportunities. Furthermore, transparency guarantees and protective security can be related to all three kinds of responsibility (see Figure 5).

Of course, the integration of Sen’s capability approach into the balanced concept of the firm will need much more elaboration, which will provide sufficient materials for an extensive research program. Later on, I will illustrate this novel project with two examples.

### Restating the question of SMEs’ responsibilities in global competition

I began by discussing the compounded difficulties which small and medium-sized companies...
encounter in today’s globalizing economy. Not only is the proper role of ethics in global business disputed, but also it seems that the big transnational corporations are the only relevant players in this game of global competition. SMEs must first fight for survival even, if necessary, without ethics. And while some SMEs in developed countries may flourish, due to supportive infrastructures, SMEs in developing countries face extremely harsh conditions which seem to exclude any possibility of corporate responsibility. How then can we argue that corporate responsibility is not only possible but also necessary in order for SMEs in developed and developing countries to become and remain successful in the global economy?

First, disputing a proper role of ethics in global business appears to lie on shaky grounds. Global competition is not a fate but man-made and caused by human decisions. Even if we assume the global economy to be an immense “mechanism” which allows for no spaces of freedom (a rather unrealistic assumption), these constraints are set up, to a large extent, by human actors and therefore can be changed, which inevitably involves an ethical dimension. Undoubtedly, an effective, fair, and stable international legal framework is necessary. But even if such a framework were in place, it couldn’t and shouldn’t regulate and control everything. Rather, as the Caux Roundtable Principles for Business state, “laws and market forces are necessary but insufficient guides for (business) conduct” (see Preamble in Enderle 1999: 144). Culture and ethics, too, play indispensable roles, not only in shaping those economic and legal constraints and forming new constraints (such as global codes of conducts), but also in using the existing spaces of freedom of business organizations. Such spaces do exist and are becoming even bigger, as liberalization, privatization and deregulation gain momentum in a globalizing world. Hence using those spaces in an ethically responsible manner is becoming more important. (Regarding the empirical evidence of globalization and challenges of ethics, see Enderle 2002a.)

One could contend that, in fact, spaces of freedom are growing bigger, but only for large transnational corporations. That is why these TNCs are exposed to increasing public scrutiny

<table>
<thead>
<tr>
<th>Responsibilities of the Company</th>
<th>Real Freedoms that People Enjoy (Amartya Sen)</th>
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<tbody>
<tr>
<td>Economic Responsibilities:</td>
<td>Basic Capabilities such as freedoms to satisfy hunger, to achieve sufficient nutrition, to obtain remedies for treatable illness; opportunities to be adequately clothed and sheltered, to enjoy clean water and sanitary facilities.</td>
</tr>
<tr>
<td></td>
<td>Economic Facilities: Opportunities to utilize economic resources for the purpose of consumption, or production, or exchange; economic entitlements dependent on the resources owned or available for use as well as the conditions of exchange; distribution of entitlements; availability and access to finance.</td>
</tr>
<tr>
<td>Social Responsibilities:</td>
<td>Political Freedoms: broadly conceived (including civil rights): Opportunity to determine who should govern and on what principles; possibility to scrutinize and criticize authorities; freedom of political expression and an uncensored press; freedom to choose between different political parties; freedom to enjoy local peace and order; etc.</td>
</tr>
<tr>
<td></td>
<td>Social Opportunities: Opportunities to receive basic education and health care in order to live a long and healthy life and to better participate in economic and political activities.</td>
</tr>
<tr>
<td>Environmental Responsibilities:</td>
<td>Environmental components involved in economic facilities, political freedoms, and social opportunities.</td>
</tr>
<tr>
<td>Regarding all relationships:</td>
<td>Transparency Guarantees deal with the need for openness that people can expect: the freedom to deal with one another under guarantees of disclosure and lucidity (as basic requirements for trust).</td>
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<tr>
<td></td>
<td>Protective Security is needed to provide a social safety net for preventing the affected population from being reduced to abject misery, or even starvation and death (unemployment benefits, statutory income supplements, famine relief, emergency public employment, etc.)</td>
</tr>
</tbody>
</table>
and criticism and indeed should be held accountable. In contrast, small and medium-sized enterprises are said to be ever more squeezed and thus losing freedom. However, knowing if this trend does exist is an empirical question that is difficult to answer. But it is also difficult to claim that SMEs have no spaces of freedom at all. Without a doubt, the world of SMEs abounds in extremely diverse business activities and countless entrepreneurial initiatives, which seems to suggest that some spaces of freedom exist, though to a highly varying degree. Because the extent of the spaces of freedom also depends on the supportive infrastructure, we might expect significant differences between SMEs in developing and developed countries.

In addition to the empirical question regarding the actual spaces of freedom of SMEs, we need to know what ethical challenges SMEs face and how they come to grips with them. Unfortunately, so far little attention has been paid in the literature to small business ethics. With regard to industrialized countries, a first introduction was made at the EBEN Conference on “Market Morality and Company Size” 1990 in Milan (Harvey et al. 1991), and an excellent state of the art review was recently presented by Laura Spence (Spence 1999). She convincingly stresses the need to take into account small business characteristics such as owner-management, independence, multi-tasking, “firefighting”, personal relationships, and informality (regarding the understanding of small business, see also Holliday 1995, Baumberk 1988, Storey 1994, and International Finance Corporation at www.ifc.org/sme). Thus, for instance, ethical standards developed for big corporations may be inappropriate in the small firm. She argues for including a small firm perspective in the task of business ethics and for looking with a new set of ethics-eyes at small firms without the assumptions based on large firm studies (Spence 1999: 172). Even less literature is available with respect to small business ethics in developing countries. Two examples are articles by Richard De George (1999) and Akira Takahashi (1999).

Because individual small firms are often exposed to the increasing pressure of global competition, they may unite in the struggle for survival by forming a wide variety of networks. In this manner, they can enlarge their spaces of freedom (by outwardly moving their constraints) and improve and harmonize their business standards and performances. In recent years a large number of networks has been created, particularly in the field of the environment, aimed at fulfilling environmental and economic responsibility simultaneously. Interesting case studies from the UK, Spain, Austria, Scandinavia and the Netherlands are discussed in the issue on “Small and Medium-Sized Enterprises and the Environment-Oriented Networks and Alliances” of Greener Management International (Wolters 2000). Another illuminating publication analyzes the different approaches to the environment by Dutch and UK small firm owner-managers and the implications for corporate environmental responsibility and networking (Spence et al. 2000).

These various initiatives demonstrate that carefully designed and persistently developed networks are an effective means to strengthen SMEs not only in their economic performance but also in their social and environmental performances. Because SMEs have to cooperate with other small firms, governmental agencies and nongovernmental organizations on an equal footing, social and environmental objectives stand in their own right and cannot be considered mere means to achieve a purely business purpose (say, for instance, to maximize shareholder value); rather, those SMEs are multi-purpose companies which balance their economic, social and environmental responsibilities. (It goes without saying that the reverse is also true, namely that NGOs and governmental agencies have to recognize the firms’ economic objectives in their own right and fulfill their economic responsibilities in their own organizations.)

The proposed concept of corporate responsibility helps to restate our question of “global competition and corporate responsibilities of small and medium-sized enterprises”. It is crucial to capture realistically the spaces of freedom of SMEs and their corresponding responsibilities. SMEs should use their spaces of freedom to the fullest extent possible and engage in networking to strengthen their positions in the global
marketplace. In order to be an “ethical” company, the small or medium-sized firm can balance its economic, social and environmental responsibilities in a wide variety of ways, provided that it fulfills and strives to go beyond the minimal ethical requirements in all its activities. To substantiate these responsibilities, Sen’s capability approach is proposed which is applicable universally in the globalizing world and particularly suitable for identifying minimal ethical requirements and social obligations beyond these requirements.

In the following I present two outstanding examples from a developed and a developing country illustrating how SMEs and supportive networks have actually taken up the global challenges and have given inspiring answers.

Learning from Examples

Rohner Textil AG

Founded in 1947 as a family-owned, joint-stock company, Rohner Textil AG, Switzerland, produces Climatex Lifecycle compostable upholstery fabric for home and office (see Gorman et al. 2000 and website www.climatex.com). In 2000 sales had doubled to US$ 7.2 million (SFR 12 million) since 1995, and the profit development was significantly above comparable industry standards. Under the leadership of its managing director Albin Kälin, the small firm with 30 employees has developed highly successfully environmental programs since 1987 and achieved worldwide renown as a pioneer in its field. Climatex Lifecycle is an entirely biodegradable and compostable upholstery fabric, manufactured using a waste-minimizing process. Without synthetic materials, it is made from the wool of free-ranging, humanely-sheared New Zealand sheep and Ramie — a compound natural fibre in use 4000 years ago in Egypt and organically grown in the Philippines. Ramie’s long fibres have extraordinary hygroscopic features which, when combined with wool, produce a fabric that wicks up moisture from the sitter, for climate-control seating. This innovative product line has garnered numerous awards and seems destined to become an industry standard.

Rohner Textil provides an excellent example of how to balance economic, social, and environmental responsibilities, achieving the triple goal of preserving the existence of the firm, the jobs, and the natural environment. Its Environmental Statements, covering the period from 1993 to 2000 and audited by independent agents, testify with exceptional transparency and in great detail to the amazing vision, achievements, and perspectives of this company. It has been certified by the environmental management systems ISO 14001 and EMAS 1836/93 and numerous other systems. It has launched a redesigned, flame-retardant Climatex Lifecycle fabric in 2001, it strives for “zero waste” for all product lines and products, “zero wastewater” in its dye house, reduced energy usage and expanded noise prevention, and it pursues considerable employee development programs.

Recently, I had the opportunity to visit the company and discuss with Mr. Kälin the difficulties and successes in this impressive story. Here are some important facts. In the mid-1980s the small dye-works faced increasing competitive pressure and rising ecological expectations and regulations. Since 10% of the sales over 8 years was necessary for investment in new machinery, no financial resources were available for environmental investment. The management realized that “either economics or ecology” was no option and so developed a strategy to combine both. It took the vision, commitment and perseverance of the management to pursue this goal step by step over the years, despite skepticism and hostility in the textile industry. Two partnerships with a big chemical transnational corporation and a non-governmental organization turned out to be crucial: from Ciba-Geigy, Rohner Textil acquired the right to use 16 biodegradable dyes with which almost all color variations are possible, except black; Rohner Textil also cooperated with the independent environmental institute EPEA in Hamburg, Germany. Its head, Dr. Michael Braungart, and the American designer and architect William McDonough developed a measurable design tool for environmentally sound
products and production, the “Index of Sustainability”, first used for the Climatex Lifecycle fabric (see www.mbdc.com; www.epea.com).

What are the major challenges for this small company? First, Rohner Textil wants to stay in the village where it has operated since 1911 and preserve a high degree of independence. However, in early 2000 the successful company was taken over by another Swiss firm which, fortunately, seems to respect Rohner as an independently operating subsidiary headquartered in that village. Interestingly, the proprietary rights of the dyes held by the multinational corporation helped secure the relative independence of the acquired company. A second challenge is the introduction of a comprehensive and integrated accounting system that reflects costs and benefits in a truly realistic manner. The principle of transparency does not only mean to disclose technical and financial data, but also, more importantly, environmentally correct calculations, which may come into conflict with the prevailing standards of the big accounting firms. Third, after many successful years of independent development, a growing need for partnerships with like-minded small companies is felt. Although a distinct form of cooperation has not emerged yet, a kind of network appears to be appropriate.

The Grameen Bank

A second example is taken from Bangladesh, an exciting success story from a developing country (see www.grameen-info.org). Some of you may be familiar with it, having perhaps heard Muhammad Yunus giving a fascinating account of the Grameen Bank and the micro-credit movement at the Second World Congress of Business, Economics, and Ethics in Sao Paulo, Brazil (see Yunus forthcoming).

The idea grew out of a shock experienced by Yunus as a young professor of economics in the mid-1970s in Bangladesh when he saw people suffering and dying outside his campus, not because of a disease, bombs or war, but simply because they had nothing to eat. After investigation, he realized that they were suffering terribly for lack of very tiny amounts of money. But if they borrowed money from money lenders or loan sharks, it came with unbelievable conditions imposed on them. Yunus made a list of people who were suffering from this problem, amounting to 42 names and needing all together only $27. He simply gave the money to the 42 people and was surprised by the excitement and the happiness created by those tiny sums of money in each of those 42 people. This made him want to repeat the experience and with larger numbers of people. Yunus looked for some institutional arrangement so that people in need could find low-cost money whenever they needed it, and thus the first Grameen bank was launched.

After 24 years of work there exist Grameen banks in 40,000 villages of Bangladesh with 2.4 million borrowers. In March 1995 the micro-credit movement reached the cumulative goal of one billion U.S. dollars in loans, in September 1997 two billion and in 2000 three billion. What has been achieved is getting necessary money into the hands of poor people who have used it, increased it, and paid back the bank with interest while still retaining a reserve for themselves and their families. This steady income increase has had an enormous impact on the standard of living for the Grameen families. One third of them have already crossed the borderline out of official poverty, and the remaining two-thirds are moving towards that goal step-by-step. The children in Grameen families have better educations than children in non-Grameen families. Adoption of family planning practices within Grameen families is twice as high as the national average of Bangladesh, and the child mortality in Grameen families has been reduced by 37%. These statistics, published by well-known research institutions, clearly show the sweeping power and effect of a simple loan of a small sum of money on the entire quality of life of a family.

However, the path to this success was full of difficulties. The banks refused to lend money to poor people, especially to women, because they considered them not creditworthy. Supposedly, loaned money would be spent on food and literally eaten up, never to be repaid. The government took two long years to give Grameen permission to set up a bank for the poor.
Furthermore, the women themselves were steadfastly afraid of the program. They insisted that money could only be handled by the husband, the man, not even wanting literally to touch money. And religious leaders of this Moslem country tried to persuade everybody else that giving money to women would bring disaster to this religion which holds women separately from men. But it turned out that money that went to the family through women brought much more value to the family than money brought through men. Because they came from poor families, these women had developed some significant skills for managing scarce resources. Also, as women, they typically paid a lot of attention to the children’s needs. Therefore, the number of women in the Grameen program has continuously increased and has now reached 95% of the borrowers.

In the last fifteen years the Grameen idea has gone global. Today there are at least 65 countries around the world which have Grameen programs. And to spread the movement further, 3,000 delegates gathered in 1997 for the Micro-Credit Summit in Washington, D.C. that endorsed the goal of reaching 100 million of the poorest families worldwide with micro-credit by the year 2005.

Linked to the basic bank program, Grameen has developed 22 subsidiary ventures, partly with partners from other countries, in order to improve the conditions of poor people’s lives. Among these are included the following:

- **Grameen Phone**, in a joint venture partnership with Telenor of Norway, is a totally independent cellular phone company providing a phone to a poor woman in a remote village who can earn money by handling the phone communications of the villagers. There are now telephone ladies in over 2,000 villages across Bangladesh.

- **Grameen Communications**, in conjunction with Hewlett Packard Company, created the Internet link between cities and villages, which enables villagers to get medical and health services through the Internet.

- Because only 15% of Bangladeshis have access to electricity, **Grameen Energy** was established to bring solar energy to the counties which can be used for recharging cellular phones and many other purposes.

- Out of a desire to build upon the beautiful and very old Bangladeshi tradition of hand weaving, **Grameen Enterprise** was created to market hand-woven fabrics for clothes to Europe (with sales of $35 million in the last three years).

- In order to put these and the other Grameen companies in the stock market, an additional company called **Grameen Securities and Management Company** was formed with the idea that the shares owned by the Grameen will be passed on to the Grameen borrowers.

- And **Grameen Fund** will provide venture capital loans to as many budding entrepreneurs as possible.

The 25 years long history of the Grameen family clearly proves that small can be very effective and lead to big changes. To trust the poor people and create the right kind of business organization provides “real freedoms” to the poor as Sen proposes with his capability approach. Trust and organizational support enable the poor to take care of themselves with creativity and ingenuity.

In Muhammad Yunus’ words: “All that we give at Grameen is a support system which is not charity but rather a business program which aspires to create a mutually beneficial environment for a poor person legitimately to engage in traditional business transactions which materially improve his condition, thereby raising his dignity”.

### Summary in Seven Recommendations

The success stories of Rohner Textil AG and the Grameen family offer a great wealth of experiences and insights that can help SMEs to successfully face global competition and fulfill their economic, social, and environmental responsibilities. In conclusion, I would like to summarize these findings with seven recommendations.

1. **Clearly design an exceptional product that is sustainable in economic, social, and environmental terms!**
Both Rohner and Grameen have developed clearly defined products and services that were unheard of before and precisely meet a need of the environmentally conscious customers: biodegradable and compostable upholstery fabric with beautiful designs and zero waste; and very tiny loans to the poor who desperately need them and make the most of them.

2. As an entrepreneur, commit yourself fully and put a great deal of trust in “your” people, employees and customers!

Rohner’s Managing Director Albin Kälin and the founder of Grameen Muhammad Yunus have demonstrated through their examples that “people matter”: they have given their full commitment as entrepreneurs over the years and they have placed considerable trust in their employees and customers.

3. Strive for an excellent fit of your product and company with the local context in order to become competitive at the global level!

At first sight, this recommendation might seem paradoxical, focusing on the local and hitting the global. But the examples show that the struggle with local problems in seriousness and with determination energizes all kinds of resources and innovation and enables the company to turn the threat of global competition into an opportunity.

4. Pursue the process of learning and implementation with openness and perseverance step by step!

Neither success story began with a lofty vision and detailed master plan. Rather, the kick-off was a concrete, very specific challenge: the survival of Rohner in that village and the provision of a little money to a few poor people outside Yunus’ campus. What is remarkable is that each example engaged in a continuous dynamic process with staying-power as well as eagerness to learn.

5. Use your space of freedom to the fullest extent possible and expand it by networking with like-minded partners!

Both entrepreneurs acted as if they had no constraints (although they were well aware of them) and did everything to exhaust the possibilities they had. Moreover, they overcame the widespread mind-set of “independence” held by many entrepreneurs and engaged in networking that expanded their spaces of freedom.

6. Respect the “triple bottom line” of economic, social, and environmental responsibilities and balance these responsibilities in order to maximize sustainability!

From the outset Rohner Textil’s business strategy has taken for granted that economic and environmental responsibilities are equally important and has accepted, in the course of its development, the “third bottom line” of social responsibility as well. Grameen began with the conviction that economic and social responsibility intrinsically belong together and then has moved to include also environmental responsibility. Based on this firm “triple bottom line”, both companies have striven for excellence and flourished in a variety of ways.

7. Assess your business and let it be assessed by independent auditors in terms of “capabilities”, meaning to what extent it contributes to expanding the real freedoms that people enjoy!

In the course of their development, both companies have been intensely scrutinized and evaluated internally and externally, guaranteeing an extraordinarily high level of transparency. Rohner Textil offers environmentally conscious customers the opportunity to use and enjoy absolutely safe, zero-waste products (which are aesthetically designed and comfortable as well) and provides their employees with economic facilities (such as the freedom to work and earn income in their community) and social opportunities (such as healthy, safe, and participatory working conditions); for all stakeholders, Rohner Textil strengthens their freedom from environmental degradation. The Grameen companies make considerable contributions to promote the freedom from poverty understood as capability deprivation (such as the freedoms to satisfy hunger, achieve sufficient nutrition, and obtain remedies for treatable illness), to overcome the discrimination against women, to enable the poor to participate in political life, and to take concrete steps against environmental threats.
To sum up, we began with the provocative proposition that corporate responsibility is not only possible but also necessary for small and medium-sized enterprises to become and remain successful in the global economy. Several difficulties were discussed and restated in the light of a new concept of corporate responsibility. It aims at integrating “the balanced concept of the firm” with Amartya Sen’s capability approach. This conceptual clarification appears to be needed in order to better focus our attention on what is really at stake. Small and medium-sized enterprises are supposed to have some spaces of freedom and corresponding responsibilities, at least under the conditions of most business environments around the globe. The examples of Rohner Textil AG and the Grameen companies show that SMEs can not only survive but also flourish in the global economy and contribute to the improvement of globalization. Although they don’t provide a rigorous scientific proof, they offer hope and encouragement to those who share concerns for SMEs and seek for sustainable solutions.

References


‘Case Study: Rohner Textil’:109–145.


Global competition and corporate responsibilities of small and medium-sized enterprises. Georges Enderle. This article is based on the text of a speech given at the EBEN Conference in Valencia, Spain in September 2001. It has not been previously published in English. In the following I would like to propose and argue for the view that exercising corporate responsibility, the epitome of corporate ethics, is not only possible but also necessary for small and medium-sized enterprises (SMEs) to become and remain successful in the global economy.

While the Corporate Social Responsibility (CSR) activities of small firms have been analysed to some extent, their engagement in international networks relating to global competitiveness is a less explored area. The German UN Global Compact Network and German SMEs have been part of this discussion, but the role of small firms in international networks has not been adequately addressed. Dr. Pia Popalâ€™s new book Small and Medium Sized Enterprises and Sustainability examines why German small and medium-sized enterprises engage with international institutions for voluntary self-regulation such as the UN Global Compact. Where research previously has focused on behavior, Dr. Popalâ€™s research focuses on institutionalized practices.