

## Social responsibility of startups

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*Received: 19/12/2022*

*Accepted: 09/03/2023*

*Published: 31/03/2023*

### Abstract:

The application of corporate social responsibility in its comprehensive concept gives the benefit to all stakeholders involved in the internal and external environmental work. However, the privacy of startups and the problems that suffers from may hinder the realization of this benefit what Holds back the sustainable development strategy.

Accordingly, this study aims to determine the nature and the importance of startups exercising social responsibility, to clarify the role of social responsibility in raising the market value of startups and in the formation of self-protection for it in crisis conditions, in addition to its contribution to building and enhancing a positive mental image of it.

Therefore, the descriptive and analytical approach was adopted to present and realize these aims.

**Keywords:** social responsibility, startups, sustainable development, social innovation, social solidarity.

**(JEL) Classification :** M14, M13, M15, L26, L21.

### 1. Introduction:

The success and growth of economic institutions are no longer based solely on the maximization of profits and financial centers, but new concepts have emerged that help to create a business dynamic capable of dealing with rapid developments in economic, technological, and administrative aspects. One of the most important concepts is the social responsibility of institutions.

The application of social responsibility by institutions with its overall concept benefits all stakeholders involved in their internal and external environment. However, startups have characteristics and significant potential to choose and implement several strategic alternatives that distinguish them from classical institutions. In this context, it is clear that startups suffer from problems that may be associated with finance, weak expertise, and other factors, which impede their exercise of social responsibility from the overall perspective and lead them to consider not adopting it. Social responsibility is perceived not to be productive but to cause a deterioration in value and profitability. On the other hand, it is perceived as it increases the market value and protects institutions in crisis. In addition, it contributes to building and promoting a positive mental image.

#### 1.1. Research problematic:

Based on the above, the following problem can be presented and formulated for this study as follows:

**What is the reality of adopting social responsibility by start-ups?**

#### 1.2. Research importance and objective:

The importance of this research stems from the fact that it addresses the most relevant elements and aspects of social responsibility and start-ups. These aspects represent the abstract intellectual dimension and the particular language in which parties involved in the affairs of social responsibility institutions, whatever their classification (startup or otherwise), communicate. Indeed, the successful implementation

of social responsibility cannot be imagined unless it is based on evolutionary theoretical thinking and awareness. Accordingly, this research aims to identify the intellectual framework of social responsibility and startups based on economic and administrative literature or studies and research relevant to these areas.

### **1.3. Method and tools:**

The research relied on the descriptive and analytical approach as the appropriate approach for presenting everything related to social responsibility and emerging institutions, and analyzing the relationship between them.

## **2. General concepts about startups:**

### **2.1. Definition of Startups:**

The definition or concept of startups depends on several criteria. One of the most important criteria used in the definition of startups is the quantitative criterion, which concerns a set of economic technical indicators (Green 2017): Minimum and maximum labor criterion; invested capital criterion; labor and capital criterion; volume or value of production criterion; sales value criterion; value-added criterion; productive capacity criterion; and the labor intensity criterion.

The English Dictionary defines the term startup as a small project that has just begun. Startup consists of two parts: start expresses the idea of starting and up expresses the idea of strong growth. The term startup began to be used after World War II with the emergence of venture capital companies, spreading its use thereafter widely.

The French dictionary la Rousse defines this term as the young innovative institution in the modern technologies sector.

According to Eric Ries, a startup is a human entity designed to create a new product or service under extreme uncertainty in the surrounding business environment. (Ries 2011, 37)

Patrick Fredenson considers that the formation of a startup is not linked to the issue of age, size, or sector of activity, but requires the following (Noémie Chaniaud 6 et 7 Juillet 2017, 2): strong potential growth; the use of new technology; substantial funding, access to various types of contributions; and being in a new market where risk is difficult to assess.

The term startup is also defined by the Investopedia website as a company in the first stages of operations. Startups are founded by one or more entrepreneurs who want to develop a product or service for which they believe there is demand. By their nature, traditional startups tend to enjoy their limited business when they are incorporated and start from an initial investment amount made by the founders or a relative. A startup is based on a viable business, growing in a very fast and efficient way compared to a traditional small or medium-sized enterprise that needs to invest certain amounts of money to enter the market, and requires some time to show returns.

Thus, startups can be defined as an enterprise that seeks to market and offer a new product or innovative service with which to target a large market, regardless of size, sector, or area of activity. They are also characterized by high uncertainty and high risk in exchange for strong and rapid growth with the potential for huge profits if they succeed. Therefore, startups are enterprises that bet on the value of innovation and its reception by the potential market. (Marty 2015, 6)

### **2.2. Features of startups:**

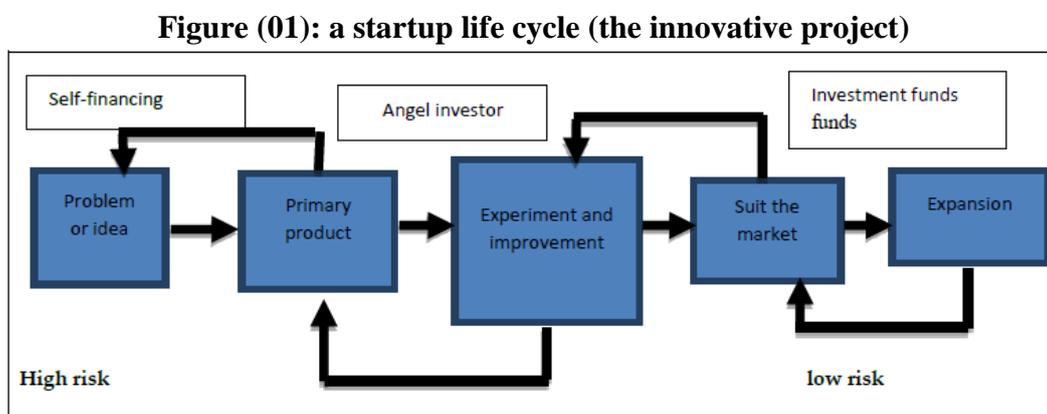
In the light of previous definitions, a set of points that distinguish startups can be inferred as follows:

- They are new institutions, i.e. young institutions and not small ones. Many mistakes are made when it comes to classifying small enterprises and molding them as start-ups. Still, a very important factor differentiating a startup from a conventional company is an ambition to grow. (K. Rostek 2017, 192–208)
- Startups are characterized as young enterprises with two choices of either developing and becoming successful enterprises or losing and exiting the market.
- The startup is connected to technology and relies mainly on it as its business is based on innovative pioneering ideas (Pisit Potjanajaruwit 2019, 225), and on satisfying the needs of the market in a smart and modern way.
- They are institutions with an opportunity for gradual and increasing growth as the startup has the potential to grow rapidly and generate much faster revenue than it requires to operate.
- A startup is a rapidly growing enterprise characterized by increased production and sales without increasing costs, resulting in a significant growth in its profit margin; enterprises that are able to generate very large profits.
- A startup relies on technology to grow and advance (Hovenkamp 2020, 353), as well as to access funding through online platforms and by obtaining help and support for business incubators.
- A startup requires lower costs compared to the profits it earns, and these profits usually come quickly and suddenly. Examples include Amazon, Google, Microsoft, etc.

Hence, a startup is a newly established institution, which has emerged from a creative entrepreneurial idea with high prospects for rapid growth and prosperity.

### 2.3. Startups life cycle:

Startups go through several stages before reaching the top. This can be explained in the following figure:



Source: (Haroun 2017,1)

Through the figure, it is clear that startups or innovative projects go through several stages known as investment rounds, which can be illustrated as follows:

**2.3.1. Pre-Seed funding:** this phase extends from the idea until the initial product is built; Where someone, or a group of people, proposes a creative or new idea and thoroughly studies it, as well as the market, behavior, and tastes of the target consumer (Mohammed DJELTI 2016, 109), to make sure that it can actually be embodied, developed, and sustained in the future. This phase is often funded by founders, friends, and family, or by what is known as “FFF” (Friends, Fools, Family), as well as donors, investors, and angels. The aim of this phase is to assist and support the entrepreneur in transforming his idea into reality or into an experimental program.

**2.3.2. Seed Funding:** it follows the processing of the primary product and aims to test and improve the primary product by building the final product, studying the market, understanding the target segment of the product, or building the team (non-founders). This phase is often financed by angel investors and bold capital (risks). This stage is a black spot for the entrepreneur because the likelihood of failure is high, with the death risk of the enterprise in the first two years reaching 70% and in the first five years reaching 90%. (Marchesnay 1987, 152)

**2.3.3. Series A Funding:** After reaching the final product, this phase aims to test the product's expansion and experience on new segments, as well as arrange the organization and structure of its operations. This phase is mostly financed by bold capital.

**2.3.4. Series B Funding:** with the institution reaching this stage, it can be said that it has begun to move from an emerging to a mature institution. This phase aims to expand operations at a regional or global level, team-building, and acquisition of other institutions. (Gagnon 2018, 36) This phase is jointly financed by bold capital and private ownership.

**2.3.5. Series C Funding:** enterprises reaching this stage have proven to be mature. This stage aims to prepare the enterprise to become mature and solid, and can publicly rollout or distribute profits. The work done at this stage is a repeat of what was done in Series B but on a larger and wider level. Financing is made at this stage by bold capital and private ownership, and the more the enterprise develops, the greater the interest in private ownership.

#### **2.4. Difference between startups and traditional enterprise:**

The startup differs from the traditional institution on several points, but the main one is significant growth. The points of difference can be summarized as follows (Shah 2019, 253):

- The life cycle of a traditional enterprise goes through the launch phase, growth, maturity, and then starts to decline. On the other hand, a startup undergoes a series of regressions and unpredictable progress between the launch and growth phases, and once it reaches maturity it will continue to rise and grow, such as Twitter and Apple.
- Startups offer its product to a very large market as opposed to traditional enterprises.
- Investment takes place in startups despite the high risk i.e. focus is placed on the significant potential return if the project is successful, while in traditional enterprises, the investor heads to a market where uncertainty is low and normal profits are achieved. (Ries, *Le Modèle Start-Up, Devenir une entreprise moderne en adoptant le management entrepreneurial*, 2018, 35)
- There is a difference in sources of financing where a startup relies on an angel investor, venture investor, venture capital, or venture capital institutions. These institutions are not based on capital in the form of loans, as in the case of bank financing, but on partnership. The partner finances startups without guaranteeing the return, thereby risking his funds, and thus assists the newest or expansionary startups that face difficulties in this area. The bank system refuses to grant them loans because of the lack of guarantees or because they are high-risk projects.

The importance of venture capital to a startup lies in many elements, including (John Freeman 2007, 107):

- The venture capital institution's contribution is not limited to money, but extends to follow-up, advice, and guidance, enabling the startup to manage its projects well and benefit from modern management expertise and techniques. The most important problem for an entrepreneur is access to finance and management. (Marcil 2013, 91)

- Venture capital financing is not done all at once but is done through several stages, where the results of the work done for each funded phase are presented, thereby ensuring the seriousness of the investment and giving the enterprise a new opportunity to make up for its failure before it accumulates losses.
- Venture Capital enterprise does not withdraw from the startup until the latter can produce and grow on its own.
- The funds of the venture capital enterprise are not due or payable if the situation of the startups does not permit, as it has become part of its own funds and shares losses with the enterprise.

Although there are differences between the startup and the traditional enterprise, there are relationships between them, where the startups can cooperate with other institutions and provide them with services that benefit the latter, thus serving as a turning point for it. Many large enterprises have benefited and relied on the services of start-ups, for example, in the area of renewal of enterprise culture, there are Dell, Google, and Rabobank, and in the area of innovation of large brands, there are Telefónica, Accenture, and Microsoft. Moreover, in the area of solving business problems, there are Unilever, Diageo, and gH Hotels, and in the field of expanding future markets, there are BMW and Enel. (Valerie Mocker 2014, 17)

### **3. General concepts about corporate social responsibility:**

#### **3.1. Definition of corporate social responsibility:**

The trend towards making companies more socially responsible can be broadly observed in the late XX and the XXI century. Numerous researches have attempted to give an overview of the concept of corporate social responsibility. (A. B. Carroll 2010, 85–105) The concept of corporate social responsibility emerged in the 1950s through the work of Bowen. (Lefebvre 2012, 18)

The definitions of corporate social responsibility are varied because there are a large number of stakeholders whose attitudes and objectives are different and sometimes contradictory on the one hand, and there is a gap between what the society expects from these institutions and what institutional owners perceive as what can be provided to society on the other. Among the definitions given for CSR are:

**3.1.1. Definition of the united nations and trade conference:** “corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is through which a company achieves a balance of economic, environmental, and social imperatives. Compliance with the law constitutes the minimum standards to which companies must adhere.” (Development, United Nations Conference on Trade and 2004, 5)

**3.1.2. Definition of the European commission:** “it is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” (European Commission 2001)

It is noted that the European Commission’s definition focuses on the following points (Mokhtari Bouchaib 2016, 3):

- Social responsibility focuses on environmental and social resources.
- The social responsibility of the company is inseparable from strategy and business processes.
- Corporate social responsibility is a voluntary concept.
- The important part of social responsibility is the company’s relationship with internal and external parties.

**3.1.3. Definition of the united nations:** Social responsibility is the universal citizenship of corporations, which covers both the rights and responsibilities of national corporations in the international context,

through the latter's adoption of several universally agreed values and principles, within the framework of public policies to uphold human rights under comfortable working conditions and protect the environment.

**3.1.4. Definition of the international organization for standardization:** Social responsibility is the activities of the company to assume responsibility for the impact of its actions on society and the environment and to bring its activities into line with the benefits of society and sustainable development. Social responsibility is based on ethical behavior, respect for government laws and instruments and is integrated with the company's daily activities. (Ministry of Mines And Geology 2016, 30) It was considered by ISO 26000 to be "the impact that the decisions and activities of the company have on society and the environment through a behavior characterized by transparency and morality, which contributes to sustainable development, taking into account stakeholders' expectations, and compliance with domestic and international legislation." (Sanz-Mendiola I & al 2013, 849) This leads to sustainable development, including health and the well-being of society, taking into account the expectations of pressure groups and respect for laws while respecting international standards and placing them within the culture and relations of the organization.

**3.1.5. The definition of the world bank:** it is "the commitment of business to contribute to sustainable development working with employees, their families, local communities, and society at large to improve their quality of life that are both good for business and good for development." (World Bank 2007, 1)

**3.1.6. The definition of the international business leaders forum:** "It is an open and transparent business practice based on ethical principles and respect for employees, society, and the environment. That responsibility was designed to provide sustainable value to society at large as well as to contributors."

**3.1.7. Definition of the organization for economic co-operation and development:** "corporate social responsibility is the corporate commitment to contribute to economic development while preserving the environment and working with workers, their families, the community, and society at large to improve the quality of life for all these parties." (Guyonnaud 2004, 05)

**3.1.8. The definition of world business council for sustainable development:** "the sustainable commitment of business companies to behave morally, contribute to economic development, and improve the quality of living conditions of the workforce, their families, the community, and society as a whole." (Niño 2015, 89)

Through these definitions, it can be said that corporate social responsibility is to perform its economic, legal, social, ethical, and environmental obligations to shareholders, workers, consumers, customers, suppliers, the environment, and society. This indicates that organizations are not only obliged to make profits for their shareholders, and their responsibility is not limited to the national economy but extends to the environment, workers, their families, and other groups of society. Corporate responsibility represents the organization responsibility towards profits, stakeholders, and society. (A. Sharma 2012, 95–105)

Some writers and specialists have suggested that the term corporate social responsibility should be transformed into the term corporate social response since the former term includes some kind of obligation, while the latter includes a motive or incentive for the enterprise to assume social responsibility. Terms relating to the concept of corporate social responsibility have been diverse including corporate citizenship, ethical institutions, and good corporate governance.

It should be noted that social responsibility has not been specifically identified to acquire national or international legal obligation power. In its essence, social responsibility remains literary and moral, i.e. it derives its strength, acceptance, and spread from its voluntary nature. It is clear from the above definitions that in exercising its social responsibility, the organization aims to increase its contribution to sustainable development, and to that end, it must work based on a set of principles: accountability; transparency; ethical behavior; respect for the interests of the parties concerned; respect for the rule of law; respect for international standards of conduct; and respect for human rights. (P. Buła 2018, 60–70)

### **3.2. The importance of adopting social responsibility:**

Many researchers and specialists support institutions' adoption of social responsibility due to (Dahlsrud 2008, 1–13):

- Social responsibility plays a significant role in employing and retaining competencies. It also generates a spirit of pride and belonging to the institution. In addition, social responsibility practices serve to increase workers' psychological satisfaction, confidence, and commitment and reduce turnover.
- Participation in social responsibility programs and the efforts to improve environmental and social conditions play a significant role in reducing several risks (fines and sentences imposed on institutions that violate the law, conflict avoidance, and risk of consumer boycott).
- One of the most important drivers of institutional adoption of social responsibility is its role in reducing costs. Grant Thornton International's 2014 report on more than 2,500 institutions in 34 countries showed that 67% of institutions consider the concealment of costs to be one of the most important motivations for adopting social responsibility practices.
- The activities of the socially responsible institution ensure gaining the community's trust and great support, giving it the approval and welcome of the community as a "social license for activity". This social consolidation allows it to strengthen its relationships with its existing customers and gain new customers in the future.
- Social activity greatly affects the image and reputation of the institution and the loyalty of the customer, as it contributes to the building of a good reputation. Social responsibility practices give the public the impression that the organization is not only seeking profit but is also interested in the welfare of society and the protection of the environment. A study in Denmark of the 30 largest institutions found that the primary motivation for adopting social responsibility was to improve their image.
- Social responsibility is an important strategic marketing tool that has a significant impact on consumers' behavior. In the period 2002 and 2007, there was an increase in advertisements showing social activity in German weekly magazines (*Wirtschafts*, *Woche*, and *Spiegel Der*) by 390%.
- Social responsibility allows access to the best sources of funding and borrowing since investors avoid institutions with a bad reputation that contradicts their values and principles.
- Social responsibility practices allow the organization to acquire a competitive advantage that helps it excel over its competitors by reducing risks and costs, gaining high competencies, being committed and building a good relationship with stakeholders.... etc. Some organizations also use social responsibility as a method of excellence through introducing new products or services that include environmental and social considerations in their activities, such as electric cars and organic food products, etc.
- The possibility of obtaining preferential treatment from the government, which enhances the institution's position with legal authorities, banks, and insurance companies.

- The major importance of social responsibility is its contribution to improving financial return, profits, and equity value. Studies have proved the relationship between social responsibility and financial performance. Ruff and Kammer reviewed previous studies by analyzing (76 studies) in the context of the relationship between social responsibility and financial performance for the period 1972 to 2012. They found that the majority of studies (48 studies) showed a positive relationship, while four studies showed a mixed relationship, eight studies found a negative relationship, and 16 studies concluded that there was no relationship between social responsibility and financial performance.

- Also, social responsibility provides numerous benefits to countries by reducing the burden borne by the government and lowering expenditures (reducing expenses due to institutions' awareness of the importance of a fair and healthy contribution to afford social costs).

### **3.3. Social responsibility dimensions:**

The comprehensive content and broad understanding of social responsibility made Carroll refer to four main dimensions, including the economic dimension, the legal dimension, the ethical dimension, and the discretionary (philanthropic) dimension. (Carroll A B 1991, 405) These dimensions can be summarized below (Bouferas 2016, 7):

**3.3.1. The economic dimension:** It is based on the principles of competition and technological development and includes a wide range of elements of social responsibility that must be taken into account in respecting the rules of fair and free competition and taking full advantage of technological development. This dimension is concerned with the creation of value through the production of goods and services, as well as the creation of jobs and income sources.

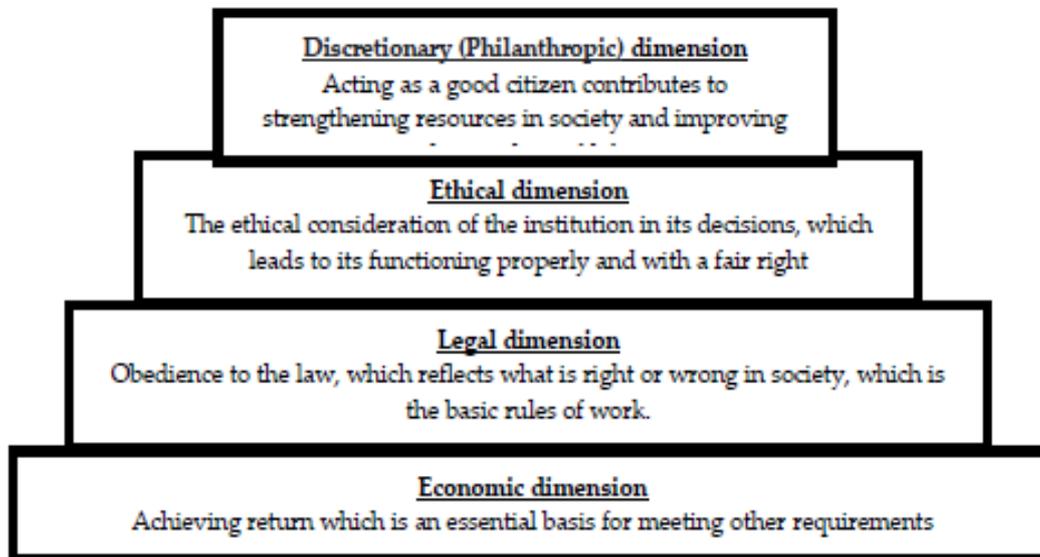
**3.3.2. The legal dimension:** This dimension is based on the principles of environmental protection, occupational safety, justice, and consumer protection laws. It contains a wide range of elements that are supposed to be respected by enterprises and in a way that promotes an improved relationship with consumers and workers as well as the prevention of environmental damage.

**3.3.3. The ethical dimension:** It is based on ethical principles and standards as well as social norms and values. Because these aspects have not yet been framed by binding laws, institutional administration is expected to accommodate the value, behavior, and beliefs of the societies in which they operate. Furthermore, respect for these aspects is necessary to improve the institution's reputation and acceptance in society. The institution must be committed to doing what is right and fair.

**3.3.4. The discretionary dimension:** It is a service that the institution voluntarily commits to provide to society by improving its aspects of life, contributing to solving its problems, supporting environmental issues such as the use of environmentally friendly materials, identifying green production systems, and supporting civil society institutions.

According to Carroll, social responsibility is the obligation of the institution to bear in mind during the decision-making process the effects and consequences of such decisions on the external social order in such a way that ensures a balance between the various economic profits required and the social benefits arising from such decisions. (Herman T. Wevers 2021, 25)

The dimensions of social responsibility can be represented in the following figure:

**Figure (02): Carroll's social responsibility pyramid**

Source: (Carroll 2016, 5)

#### 4. Startups and social responsibility:

The relationship of a startup can be linked to social responsibility based on the importance of corporate social responsibility in general, it is not only possible but also necessary for startups. (Bruns 2017, 4)

Although there are opposing views on the institution's adoption of a greater social role, there is general agreement that an enterprise's social responsibility with certain limits is an important and useful process for enterprises in their relations with their communities to counter criticism and pressure. (Rosé 2003, 45)

Despite the importance of corporate social responsibility, there is controversy regarding the adoption of more social roles by institutions among supporters and opponents, without a final agreement being reached on several key questions, the most important of which are (A. & Carroll 2010, 99):

- How can the foundation's resources be distributed to help solve social problems?
- What problems must the institution pay particular attention to?
- What priorities should be taken into account?
- Is social responsibility limited to the activities of the institution and its response to laws, or is it also about voluntary activities that extend beyond legal requirements?
- What objectives and criteria can be considered sufficient or appropriate?
- What criteria and measures should be used to determine whether an institution is socially responsible or not?

Supporters of social responsibility have focused their discussion on the following key issues:

- + Profit-making should be viewed from a long-term perspective rather than from a short-term perspective as in the past. An enterprise's spending to solve social problems, which leads to a reduction in profits in the short term, will create environmental conditions conducive to its survival, growth, and long-term continued flow of profits.
- + Gaining a good image and reputation for the institution.
- + An institution with social responsibility usually avoids the brunt of government legislation and laws.
- + Transforming social problems into profitable opportunities for the institution.

+ The foundation is the source of social problems where it creates the problem of environmental pollution and unhealthy workplaces.

Opponents of corporate adoption of social responsibility focused their discussion on the following points:

\* A commitment to social responsibility would lead to an increase in the enterprise's spending, which is reflected in the cost of the goods and services it provides and thus reduces its ability to compete with other institutions, especially foreign ones.

\* More corporate social role breaks the profit-maximization rule by becoming unable to raise productivity, invest in research, develop production technologies, and deliver new products. The enterprise was founded for the purpose of working and providing high-quality goods and services at reasonable prices, and it is entitled to reinvestment returns, allowing it to expand and thus increase worker employment. This is called the strategy of reluctance or non-adoption of social responsibility, which is concerned with economic priorities without any social role because it falls outside the scope of its interests, which must be focused on maximizing profit.

\* Whatever the institution's resources, its capacity is limited, and if social objectives are pursued beyond that capacity, the institution will be jeopardized, causing harm to society as a whole.

\* Accountability for social activities is difficult owing to the lack of common standards to measure social performance.

There is also the adaption strategy that means that institutions adhere to economic and legal responsibilities and then take into account ethical requirements by paying attention to prevailing values, customs, and socially acceptable behaviors in their internal environment, which is the culture of the enterprise as well as for the society in which they operate. Moreover, the defense strategy is for the institution to be interested in doing the bare minimum of what is legally required of it in terms of social and environmental role.

On the basis of the above, social responsibility is given considerable attention by startups or by the state concerned with start-ups. For example, experts and specialists in Saudi Arabia have called for the establishment of a "social responsibility fund," with 50% of its resources to be allocated to start-ups, and 50% to SMEs on concessional terms in financing in support of their growth. There are proposals to allocate 20% of the Fund's resources (Social Responsibility Fund) to build schools, hospitals, etc., and 80% to start-ups. The growth of start-ups, as well as small and medium-sized enterprises, will inevitably create jobs, services, and goods for society that are affordable and acceptable, and large enterprises will benefit from preferential procurement of products and services. Here, the picture is clear and one of the 10 quality principles is achieved (win-win) because everyone wins in this equation.

It is clear that each institution has the appropriate social responsibility. It is not only the preserve of large enterprises, but every institution, regardless of the classification, has the strength (moral duty) to adhere to the social responsibility approach, but how? In parallel with the growing interest in the environment and energy for the conservation of the Earth, the lifestyles of society as a whole must be changed, which is a major challenge for all citizens, politicians, associations, and institutions. Moreover, the commitment to social responsibility means that the institution is not just a simple economic actor but must play its role in the social sphere and the environment in which it is active.

#### **4.1. Steps to adopt corporate social responsibility:**

In order for a startup to adopt social responsibility, it must take these steps (United Nations Industrial Development Organization 2002, 11):

- Ignore bad information about social responsibility and ask useful and good questions. Complex administrative procedures must be avoided, and a large budget must be provided because this is incompatible with start-ups, which lack the human and financial resources to attempt to meet the ISO 26000 criterion.
- Develop an overview that is realistic and concrete. Having established the status at present, the work of the institution and its level of maturity must be considered as objectively as possible in the following areas: social, environmental, economic, and regional as well as the governance field.
- Establishing a social responsibility action plan.
- Follow-up and evaluation or start again with the first step. The systematic evaluation of social responsibility procedures will enable progress to be measured and more ambitious new targets to be identified.

#### **4.2. Reasons to adopt corporate social responsibility:**

Startups are different from other institutions but they are concerned with the same issues towards the community. They are characterized by the search for strong growth, new technology, a great need for finance, a new market, agility, experimentation, and a lot of customer interest. What is the position of a rapidly evolving startup on social responsibility issues? There are five reasons for a startup's adoption of social responsibility:

##### **4.2.1. Innovation, the common denominator of startups and social responsibility:**

In essence, the startup is innovative. In fact, unlike a traditional enterprise, an enterprise arising from a replicable economic model can change the size. The secret of a startup is modernity and adaptation. The adoption of social responsibility also requires innovation; to integrate social and environmental issues into its activities, the institution must transform its economic model deeply, ensuring change in programs and innovation.

So it will be enough for the startup to be active and influential in responsible innovation whether environmental or social in order to contribute to sustainable development. In addition, if social responsibility ensures the sustainability of the enterprise, it can be concluded that a startup that embarks on responsible innovation has a very low probability of failing. Innovation and social responsibility also bring motivation, imagination, and valuable opportunities to the start-up.

##### **4.2.2. Young people (start-ups) are changing the world:**

Adopting the principles of inspiration, ethics, and even environmental values affects not only the new generation of contributors but also the new entrepreneurs, where the business world plays its part in global mobilization. Social responsibility is one of the tools applied to contribute to solutions and enhance the positive impact on human beings and the earth.

In short, if a startup wants to attract talents, it must incorporate social responsibility into its strategy. Most studies and reports on this aspect indicate that these younger generations prefer to deal and buy from institutions that serve a social cause or play an active role in the society around them.

##### **4.2.3. Responding to consumers' new expectations:**

In general, consumers are increasingly losing faith in brands. According to Edelman, 65% of French people demand that brands adhere to social responsibility. Transparency, moral awareness, commitment, and made in France are the new expectations for consumers. Thus, sustainable development is the work

of all institutions, including start-ups. The latter must therefore innovate in this direction in order to meet the new needs of consumers. This is a new situation, but startups excel because they focus their efforts on the client's experience...

On the other hand, the importance of the ecosystem should not be underestimated by France's startup; between 2012 and 2015, the number of startups created increased by 30% annually and in 2017, 9.400 startups were listed in France. This means that a committed whole ecosystem plays a greater role in the challenges of sustainable development.

#### **4.2.4. Social responsibility is not the domain of large groups:**

Long-term vision is not just for large institutions. In fact, it is easier to embrace social responsibility when establishing an institution, where it will make less effort to provide a large group and create a more respectful business model for society and the environment.

On the other hand, the many benefits of social responsibility affect all types of institutions, such as commitment, attention to change, continuous improvement, and improved performance.

#### **4.2.5. Digitization (problem and solution):**

The fight is not always easy, but the challenge is more exciting. Even if not all startups are technological, they often rely on digital tools for innovation. By committing to social responsibility, startups open themselves to a whole world of technology and responsible digitization.

The talk here concerns GreenTech for enterprises that use technology and digitization for environmental transformation.

### **4.3. Social entrepreneurship (between risk and success):**

Many startups that choose a privileged position that corresponds to their underlying trend are created as social innovators. (Monika Sady 2020, 100) These institutions do not respond primarily to market needs that allow them to impose themselves among the competition, but to new or poorly saturated social needs under current market conditions and social policies.

Furthermore, to develop a socially innovative institution, three ways can be relied upon: either be voluntary, supervised, or responsive to the logic of social responsibility, the social economy, and solidarity.

The first dimension of social innovation is the development of new economic models that link the search for profit and the social dimension in the supply, or by donating a portion of sales volume to projects concerned with the social dimension. For illustration, the example of Pixza, a Mexican institution that creates restaurants that employ homeless people, can be cited. The economic model is based on feeding activity but with an objective or social impact of reintegrating homeless people into society. Another example is TOMS, a shoe manufacturer enterprise whose sales are devoted to supporting high social impact projects such as donating a pair of shoes to people in poverty for each pair purchased.

The second dimension relates to governance, which is "to apply a set of tools (rules, standards, protocols, conventions, and contracts) to ensure better coordination of the stakeholders in the enterprise who have part of the authority to make decisions." This has led some organizations to delegate strategic decisions to their staff. For example, the Brazilian enterprise, Semco, involves its staff in its management options (salaries, working hours, bonuses, etc.). Another example is Coopaname, a French work-gathering cooperative that involves all its members in making the best decisions about investment and training projects.

However, social innovation can also be translated into a decision to work exclusively within a particular community or region. This regional establishment is determined by the type of human capital (or knowledge) that startups will have access to and the actors they will interact with in this ecosystem (clients, suppliers, universities, communities, etc.). For example, an enterprise in the ceramic sector in France may decide to install in the Limoges region where suppliers, resources, and experts will be more abundant and qualified.

#### **4.4. Reconciling social responsibility with economic development:**

A recent study of startups within the SSE incubator in the Hauts-de-Seine region (Heights of Seine) has shown that it is possible to reconcile social and economic dimensions within the framework of business creation in a given region. However, focusing on social innovation can complicate the application of an economic model for start-ups. Three obstacles were identified in the study:

**4.4.1.** When established, startups require a great deal of flexibility. The mere presence of a predetermined composition in relation to a desire for social impact in a region reduces the likelihood that a startup will be able to pivot or explore other markets or resource-rich business environments.

**4.4.2.** Startups established in a region may face problems developing innovation in the absence of some skilled actors in the ecosystem. This problem is acutely demonstrated if startups want to make an “out-of-region” impact (e.g., a European foundation providing material assistance to children in Africa, etc.) because they will not be able to rely on actors in their region who prefer this in their strategic choices.

**4.4.3.** The third challenge is organizational. For example, governance that takes into account all stakeholders can be applied in a more environmentally and socially complex management model (distribution of decision-making powers, stakeholder issues... Etc.). Some startups that wish to adopt such a regulatory model are very similar to trade union bodies or non-profit organizations, generating very complex governance at a time when decisions must be quick.

#### **4.5. Helping social innovators succeed:**

On the one hand, startups that rely on social innovation should focus on the sustainability of their economic model and determine the value created by not incorporating all social solidarity or social responsibility criteria at the outset.

Incubators and support mechanisms must therefore accept a broader definition of the concept of social innovator and allow more time for project maturity. It would therefore be appropriate for support mechanisms to take into account the time factor in a supply based on the principles of social solidarity or social responsibility that would allow for the implementation of a sustainable business model.

However, more offers of appropriate services must be found within incubators to take into account the specificities of social innovation and rely on experts who already have successful experience in social innovation. This calls for more workshops and appropriate training commensurate with the diversity of social solidarity policies or social responsibility. These basic requirements are more than necessary for learning to reconcile economic development with the consideration of social solidarity criteria or social responsibility.

#### **4.6. Social service retroactive impact:**

If the startup wants to save money, it has to spend as much as it can on various social activities, and it will get the money in two respects:

The first is that, even if these activities are materially expensive, startups can choose what suits them and what suits their financial capacity, such as using recycled materials or using energy-saving lighting, which in itself is money-saving.

The second is that social responsibility can save money, as the foundation will send a message to its current or potential clients that it serves societal and environmental issues of some kind, in particular the so-called greening business. (Somnath Mukherjee 2006, 33-34) This will push its customers to stick to it on the one hand and bring more new customers, which shows that social responsibility is an added value and a secret weapon for start-ups. Maintaining existing customers and attracting new customers is the ultimate goal pursued by every organization that knows the rules of the game and reads the market correctly and consciously. (Linda Bergset 2015, 121)

Startups can market for themselves with little money. Its mere commitment to social responsibility is a publicity and marketing message, but only if the institution improves the use of this advantage, integrates social responsibility into its promotion strategy, and considers that responsibility its style to be demonstrated and recalled at all times. For example, if an enterprise adopts the idea of changing the world for the better, it is considered effective and highly influential publicity and promotional message that places itself on the market as being aimed at changing the world for the better. It will have to solve many of the problems and dilemmas that many will refrain from, but this experience and this good social work will have a positive effect on its product sales rates, attract more new customers, and maintain existing customers.

According to Carroll, this is defined by the proactive or voluntary strategy of the institution taking the lead in a social initiative to adhere to economic, legal, ethical, and voluntary requirements. (Massad Abdelkader 2017, 41) In addition, the commitment to play an active social role will not only help the organization motivate its employees and optimize their energies and capabilities, but will also help it acquire the best young talents and competencies, making its chances of beating competitors strong if not certain.

To consider social responsibility as an added value for start-ups, they must develop strategies and rules that translate this theory and perception into actual practices on the ground. Through this real and actual work, the startup will find its way into the world of profit and money and will penetrate the market, and thus be safe.

The startup should also be aware of the equation between a healthy society and a strong institution, because society is the key to the success of any institution, and each institution's community is its social environment. The stronger and more true the surrounding society is, the stronger and more effective the institution's service rates are. Hence, a relationship has emerged that suggests it is unreasonable for an institution to thrive and grow in a community of sick, homeless, and drug addicts. It makes no sense for these individuals to be able to work, and they do not have the money to buy the products of that organization that works in their community and provides them with their products and services. For example, for the first time in Algeria, the startup S. FIVE in Ain Defla, which specializes in manufacturing water treatment and environmental protection equipment, has successfully manufactured high-quality sterilization hoses that are used to prevent and reduce the spread of the new coronavirus. The idea of moving towards the local production of these protective types of equipment i.e. shifting its basic activity of water filtering and environmental protection equipment to the manufacture of sterilization hoses, came out of the social responsibility of the enterprise, attempting to contribute to the solution and

equipment needed to prevent and eliminate the Covid-19 outbreak. It also seeks to manufacture a machine to produce high-quality medical masks at the rate of 50.000 masks per day.

### 5. Conclusion:

Corporate social responsibility refers to an enterprise's fulfillment of its economic, legal, social, ethical, and environmental obligations to shareholders, workers, consumers, customers, suppliers, the environment, and society. It is an important criterion for integrating economic, social, and environmental concerns and issues into decision-making, as well as strategy and policy-making. It is not limited to a particular type of institution but can be adopted by any institution, regardless of their classification, especially by startups, which may benefit greatly from its practice and perception.

#### 5.1 Results:

- The social responsibility of startups plays an important role in achieving development;
- The success of the startup depends on the timing factor in the implementation of business and projects and the adoption of social responsibility.
- That social responsibility in itself is more important than other elements that startup may need, because it is considered one of the factors that help the startup to attract funding sources in the future and at any time;

#### 5.2 Recommendations:

- The necessity for startups to practice CSR because it positively affects the management of their mental image.
- Startups must implement CSR because it is considered an added value and a secret weapon that enables it to maintain existing customers and attract new ones.
- The necessity to enhance social responsibility in emerging institutions by adopting modern methods to protect the environment.
- The necessity to enhance social responsibility in emerging institutions by adopting modern methods to protect the environment. for startups to contribute to the development of society and to provide solutions to problems that may arise.
- Startups must take into account social innovation to contribute to the dimensions of sustainable development.
- The necessity to enhance social responsibility in startups by adopting modern methods to protect the environment. to adopt CSR because it works to establish the rules of governance in emerging institutions.

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