

Corporate social responsibility- engaging SMEs in the debate

Initial research findings

Heledd Jenkins

Research Associate

The ESRC Centre for Business
Relationships, Accountability,
Sustainability and Society

Email: jenkinsHM1@cardiff.ac.uk

Tel: 029 20876562

Web: <http://www.brass.cf.ac.uk>



Contents

Introduction: Background to the project and research methodology.....	3
Section 1: What is CSR? CSR terminology and CSR activities.....	4
Section 2: Why CSR? The motivations for and challenges of CSR for SMEs.....	6
Section 3: The benefits of CSR for SMEs and Support for SMEs.....	7
Section 4: Future research directions.....	8

The BRASS Centre

In 2001, Cardiff University won £3.1 million in research funds from the Economic and Social Research Council to develop a Research Centre for Business Relationships, Accountability, Sustainability and Society (BRASS). The BRASS Centre is a joint venture between the University's schools of Business, City and Regional Planning and Law, bringing together the three Schools' existing research expertise on issues of sustainability, business ethics, company law, corporate reporting and business communication.



The Centre started work in October 2001 under the leadership of Professor Ken Peattie of the Business School, Professor Terry Marsden of the Department of City and Regional Planning and Professor Bob Lee of the Law School. The funding of the Centre covers an initial five-year period, but this should just mark the beginning of BRASS's contribution to creating more sustainable and responsible businesses locally, nationally and globally.

The project: Corporate social responsibility- engaging SMEs in the debate

Business has come under increasing pressure to demonstrably engage in activities which are described as corporate social responsibility (CSR).

CSR has traditionally been the province of the corporate sector but recognition of the growing significance of the SME sector has led to an emphasis on their social and environmental impact. However, much thinking about SMEs and CSR is based on a range of unfounded assumptions

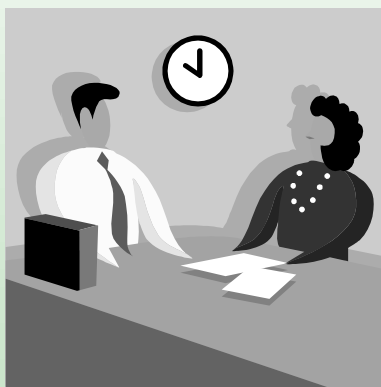
about SME behaviour, and there is a continued emphasis in research and the media on the characteristics of large firms. Conventional approaches to CSR are based on the assumption that large companies are the norm and have been predominantly developed in and for large corporations. Another assumption is that SMEs are 'little big companies' and that advances to engage companies in CSR can simply be scaled down to 'fit' SMEs.

This research project aims to redress this imbalance by exploring CSR from the perspectives of UK SME owner-managers. The preliminary results of the study reveal the how, what's and

why's of CSR in SMEs; how do SMEs respond to the CSR agenda, why do they, what kind of activities are SMEs engaged in and what are the issues that they face in meeting the challenges of CSR? The companies studied were chosen as exemplars of

CSR in SMEs so that best practice for SMEs can be learnt from companies already engaged in it, and to discover how better to involve SMEs in the move towards greater business social responsibility.

Research methodology



The initial findings of this research are based on qualitative data derived from in-depth semi-structured interviews with SMEs from across the UK. The intent was to explore how SMEs respond to the CSR agenda and to highlight current best practice.

Companies with a proven track record in CSR related activities such as

community initiatives, environmental management and employee related initiatives were selected from a search for award winning businesses.

In this report you will find a summary of the key findings from this initial stage of the research.

Key research questions:

- ? How do SMEs respond to the CSR agenda?
- ? Why do they?
- ? What kind of activities are SMEs engaged in?
- ? What are the issues that they face in meeting the challenges of CSR?

What is CSR?

The term 'corporate social responsibility'

The companies in this study were asked about the term 'corporate social responsibility'; what it meant to each company and whether they thought it was an appropriate term to use for SMEs. Past research

'I think it's your responsibility to stakeholders to perform, or to operate in an honest, ethical manner...But I think it's basically to ...consider the effects of the business on the local environment, and the social environment...what impact do we have on it, we don't want to have a negative impact, we want to have a positive impact on it...put something back into the local environment'.

suggests that the term CSR acts as a barrier to the effective engagement of SMEs. However, the companies in this study clearly understand the term and are able to identify how it relates to their company. Common themes that have emerged from the various definitions are that CSR is seen as an 'all embracing' concept involving the three key pillars of sustainability and an awareness of, and responsibility to, a range of stakeholders, the relative importance of whom varies from company to company. Companies express some concern about whether CSR is an appropriate term to use for SMEs:

- The term CSR is difficult to understand
- Awareness levels are likely to be low, most SMEs are more concerned with day to day survival than understanding

'...the point is that people are always going on about small businesses not doing this and that, small businesses aren't interested in getting involved in long, bureaucratic procedures, or introducing policies or doing that kind of thing, they're interested in doing things...give them several things to do around CSR, ideas and things like that then that makes sense...give them sets of polices, or implementation or CSR academies and they won't have the slightest bit of interest'.

concepts like CSR

- The word corporate alienates some SMEs
- The language used needs to be simpler

CSR for SMEs should focus less on terminology, policies and procedures and more on practicalities or 'doing things'.

Socially responsible activities

The companies in this study feel that they are being socially responsible simply by supporting the local economy and community by being profitable and successful companies and employing people; but they also recognise the importance of other responsibilities. The CSR activities of companies range from informal, ad hoc measures to formalised management systems such as the environmental management standard ISO14001 and the Investors in People standard. **The diagram on the following page provides numerous examples of the types of CSR related activities the companies in this study engage in.**

Key areas that companies get involved in :

- Environmental management
- Employees
- Community
- Supply chain

Employment

- Investors in People.
- Flat management structures.
- Creation of good work-life balance and family friendly employment.
- Employee newsletters.
- Social events for staff.
- Employees sent to developing countries to train people.
- Award winning training and development programmes for employees.
- Employment of older and disabled people.
- One to one mentoring of employees.

Environmental

- ISO14001.
- Waste minimisation, re-use and recycling schemes.
- Reduction in use of harmful chemicals.
- Reduction in atmospheric emissions.
- Use energy from renewable sources.
- Membership of environmental organisations.
- Investment in new technology.
- Environmental reporting.
- Award winning environmental schemes.

A portrait of CSR related activities in UK SMEs*

Business to business/Supply chain

- Open house policy for customers, suppliers and competitors to look around.
- Director's of business associations.
- Seeking to develop long-term partnerships with customers and suppliers.
- Supplier learning schemes.
- Measurement of key performance indicators and feedback to staff, customers and suppliers.
- Winners of industry awards e.g. world class manufacturing or service industry excellence.
- Support and encouragement for suppliers to become more socially responsible.
- Take part in industry best practice programmes.

Community/Society

- Work with local schools on projects e.g. working with children with learning difficulties.
- Donate percentage of profits to charity.
- Supporting local homeless people.
- Sponsorship of local sports teams.
- Involvement in awards schemes for young people.
- Time banks for employees to work in the community.
- Social auditing.
- Employ people from the local community.
- Award winning community engagement programmes.

*All examples taken from the companies in the study.

Why CSR?

Motivation for CSR in SMEs

Companies speak of being 'fair and equitable', 'accountable', 'ethical', 'sensitive' and 'worthwhile', of 'putting something back', wanting to have a 'positive impact' and 'doing what we think is right'

The majority of companies use moral and ethical arguments to describe why CSR is important to them; most companies prefer to call CSR 'common sense' or 'the right thing to do'.

The interviews revealed that

it is because each owner-manager believes in the principles of CSR, and they have the ability to

influence

company

culture, that

CSR has

become

important to

each

company. All

interviewees

feel that their values are essential and a powerful driver of ethics and standards in the company.

Past research suggests that SMEs feel that most pressure and influence on CSR matters comes from customers and employees, however this study revealed that external pressures are **limited**. While the companies suggest that there is some pressure from the supply chain and legislation, most companies feel no pressure to improve social responsibility, only environmental responsibility.

The overwhelming motivating factor for SMEs to engage in CSR is not external pressure but an internal drive to 'doing the right thing' or 'putting something back' or showing 'entrepreneurial spirit'.

'...I think its total, the way that I act and the way that I develop the business is basically the principles that I operate. If I have low standards and low ethics then I would probably run the business in that way wouldn't I? If I try and operate at high standards and high principles then I hope that the company is managed in that way'.

The challenges of CSR for SMEs

How to justify the allocation of time and resources to activities beyond the daily running of the business is seen as the greatest obstacle to CSR. Time and resources are limited by the size of the company, particularly a lack of dedicated CSR personnel.

Other common difficulties are:

- Getting employees involved in CSR activities
- Making connections with communities
- A lack of information
- Too many short term projects
- Getting equal commitment from all sides of a project
- Measuring the intangible benefits.

'...it's difficult in the local community to make the connection to give that help where it's needed...'

However, the companies in this study exemplified best practice in overcoming challenges. By placing social responsibility at the core of everyday business decisions it becomes less of an add-on that they don't have time for, and more 'just the way we do things'.

'...we do things in the community because we believe it's the right thing to do... We try to treat people as we would that they would treat us...'

The benefits of CSR

The benefits of CSR

The business case for CSR is often promoted, and it is assumed that such benefits are also felt by SMEs. The companies studied listed numerous benefits to engaging in CSR:

- Improved image and reputation.
- Improved trust and understanding.
- Larger, more prominent profile.
- Better market position.
- More business.
- Increased employee motivation.
- Increased attractiveness to potential recruits.
- Cost savings and increased efficiency.
- Risk management.
- Benefits company culture.

While all the companies in this study agree that CSR is beneficial to them in many ways the business case for CSR is less clear to them. They describe the benefits as 'intangible' or 'soft' and seek greater

proof of hard financial benefits, and answers to the difficult questions surrounding how to measure the

benefits of CSR. The companies in this study are least convinced by the benefits of charitable or philanthropic CSR.

'But to actually quantify it, put a bottom line figure on it, is actually extremely difficult. My gut feeling says that the most successful companies are those that practice corporate social responsibility, but I've no way of actually proving that.'

Support for SME engagement in CSR

There was a mixed response to the issue of support for SME engagement in CSR; while some companies believe there is no support at all, others think that there probably is but they have never sought it and do not intend to. The key issues raised are:

- The support that exists is 'confusing'.
- Services often overlap or provide 'mixed messages'.
- Support organisations are poorly funded.
- Profitable companies may be excluded from access to business grants and support.
- CSR support for SMEs is unevenly distributed throughout the UK.
- Business support organisations appear fragmented in their approach and rarely talk explicitly about CSR.
- Lack of government support for socially responsible SMEs

'I don't think there's any particular support out there is there, really...well we've never sought it, we just do what we think is the right thing.'

'There's very little support, there's very little support you're virtually on your own.'

'You've got this confusing array of initiatives, you've got ——— chucking out support for businesses, you've got the ——— chucking out support for businesses, you've now got ——— trying to deliver directly instead of going through ——— So when you've got a need for some help or assistance you just don't know who to talk to...'

Future research directions

- To continue to study the development of CSR in SMEs through semi-structured interviews, and build on what has already been learnt.
- To learn more about UK best practice in CSR in SMEs and to highlight best practice through the use of case studies.
- To further explore the nature of stakeholder relationships in SMEs, particularly the relationship between SMEs and communities.
- To explore how organisational change leads to greater social responsibility in SMEs.
- To develop practical guidance on CSR for SMEs.

Acknowledgement

I would like to thank all the companies who gave up their time to assist me with my research and contributed to a greater degree of understanding of how UK SMEs can embrace CSR.