



Small and Medium Sized Enterprises (SMEs) and Corporate Social Responsibility (CSR)

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Recent trends show that there is some growth in the engagement of SMEs in the CSR agenda. The 10th annual Grant Thornton European Business Survey shows that UK SMEs are above average on environmental policies but lag behind on ethical sourcing of products¹. There is a growing recognition that the issues that are important for CSR are as relevant for small companies as they are for large companies. With this recognition comes a set of tools and guidance aimed specifically at engaging SMEs in the CSR debate e.g. the SME key from CSR Europe², the Small Business Services' *Encouraging Responsible Business*³ and Business in the Community's Small Business channel⁴. The UK government has signalled its backing for CSR in the SME *'It is a Government priority to assist the involvement in CSR of small and medium sized enterprises (SMEs), who comprise the vast majority of the UK private sector. Appropriate language and small business examples are needed to engage these organisations and to highlight the benefits to the organisation and its employees'*. (Department of Trade and Industry, p. 32).

However, the motivational pressures that may engage SMEs with CSR are not the same as for large companies. While the growing visibility and global impact of large companies and brands has heralded calls for greater transparency and accountability, SMEs remain largely invisible and unlikely to see CSR in terms of risk to brand image or reputation. For SMEs issues closer to home are far more likely to hold their attention such as employee motivation and retention and community involvement. Realistically, 60% of SMEs are simply content to survive (Baker, 2003), as long as they are making a decent living there is little need to reduce the bottom line with CSR related schemes. Most examples of best practice in SMEs come from companies who have decided to embrace the concepts of CSR and sustainability and exploit niche markets such as providing environmental products or the new breed of social enterprises⁵. There are basic CSR issues that all SMEs have a responsibility for, amongst

¹ Source: UK SMEs now embracing corporate social responsibility; Grant Thornton <http://www.grant-thornton.co.uk/client240/grantthorntoncontent...> [Accessed May 29th, 2003]

² The SME Key <http://www.smekey.org>

³ Small Business Service. 2002. *Encouraging Responsible Business* <http://www.sbs.gov.uk/content/pdf/sbsbrochure1.pdf>

⁴ BiTC Small Business Channel Homepage http://www2.bitc.org.uk/small_businesses/

⁵ Setting up a business venture designed to invest in a community, particularly poor communities with a high degree of social exclusion, with the goal of enriching poor communities and kick starting economic development-entrepreneurial social investment or individuals involved in enterprise for social rather than financial gain. Examples include TrusttheDJ and Simply Energy (see http://www.ethicalcorp.com/content_print.asp?ContentID=848 [Accessed July 21st, 2003]).

them the creation of a good working environment where diversity is encouraged, the fair distribution of wealth in a community, the protection of the environment. Most SMEs are only motivated to adopt new forms of operating by legislation and supply chain pressure; in terms of CSR the former is unlikely to be readily accepted by resource constrained SMEs, and the latter in many ways just transfers the large company agenda onto the small company without accounting for the complex and heterogeneous nature of the SME sector.

While there is a great deal of optimism for the role that smaller companies can play in improving business responsibility the main focus of the debate has and continues to focus on the large companies. Few initiatives aimed at SMEs take into account the complex and heterogeneous nature of the sector; fewer still aim for a bottom up approach based on the unique characteristics of the SME. Most initiatives tend to take the tried and tested 'business case' developed in large companies and shrink it to fit. Little research has focused on investigating whether this will work for SMEs, indeed there are many reasons why it may not. Despite the best efforts of various SME related organisations, this sector of business is so far way behind in CSR; however, rather than see this as a failure of SMEs to engage with CSR perhaps it is fairer to say that the CSR debate has so far failed to engage with SMEs.