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**Corporate Social Responsibility:
Engaging Small and Medium Sized
Enterprises in the Debate**



Heledd Jenkins



Corporate social responsibility - engaging small and medium sized enterprises in the debate

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Abstract

Over the last couple of decades Small and Medium Sized Enterprises (SMEs) have become more important both numerically and economically, a trend that is set to be maintained. While Corporate Social Responsibility (CSR) has traditionally been the premise of the corporate sector, recognition of the growing significance of the SME sector has led to an emphasis on their social and environmental impact, illustrated by an increasing number of initiatives aimed at engaging SMEs in the CSR agenda. CSR has been well researched in large companies, but SMEs have traditionally been overlooked in this area. This paper aims to begin redressing this imbalance and presents the findings of an exploration into CSR in SMEs through interviews with the owner-managers of 12 SMEs across the UK. Key areas of investigation were how SMEs define CSR, what kind of CSR related activities they carry out, where they feel the pressure to engage in CSR comes from, challenges to become more socially responsible, whether there is enough support for SMEs, and the relationship of SMEs with stakeholders. Whilst SMEs are aware of the term CSR, and indeed carry out numerous CSR related activities, such activities are not necessarily branded as CSR. SMEs, though enthusiastic about CSR, may feel constrained in terms of time and money and the inherent limitations of size.

About 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 Centre is a joint venture between the University's Schools of Business, City & Regional Planning and Law. It brings 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' contribution to creating more sustainable and responsible businesses locally, nationally and globally.

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Introduction

Business has come under increasing pressure to demonstrably engage in activities which are described as corporate social responsibility (CSR). Whilst many such activities come under legal compliance, such as environmental legislation, business is encouraged to go beyond this and assume a role previously occupied by the public sector, providing public services such as supporting education and becoming involved in the governance of communities (Curran *et al.* 2000). CSR has traditionally been associated with the corporate sector but recognition of the growing significance of the SME sectorⁱ (Fuller, 2003, UNIDO, 2002) has led to an emphasis on their social and environmental impactⁱⁱ. However, many such initiatives, and indeed much thinking about SMEs and CSR, are based on a range of unfounded assumptions about SME behaviour, furthermore this recognition of SMEs is incomplete at best (Curran, 1999), with a continued emphasis in research and the media on the characteristics of **large** firms (Storey, 1994), and most research on the topic of best practice is based on the related notions of competitive advantage, quality and benchmarking as they relate to larger organisations (Massey, 2003). 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 (Jenkins, 2004). Another assumption is that SMEs are 'little big companies' (Tilley, 2000) and that advances to engage companies in CSR can simply be scaled down to 'fit' SMEs.

This paper aims to redress this imbalance by exploring CSR from the perspectives of UK SME owner-managers. The preliminary results of the study reveal how SMEs respond to the CSR agenda, why they respond, the kind of activities SMEs are engaged in and 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.

Small and medium sized enterprises and corporate social responsibility

The SME

A common assumption made about the SME sector is that it is homogeneous, the defining characteristic explaining its behaviour being size (Wilkinson, 1999). SME research tends to pigeonhole small businesses, viewing them from either a 'bleak house' or a Schumacherian 'small is beautiful' perspective (*ibid.*). Whilst size is a factor, and many SMEs may conform to such views, there are other internal and external dynamics that explain their behavioural characteristics.

- SME behaviour is often understood in terms of the psychological characteristics of the entrepreneur or 'owner-manager', as Bolton (1971) noted SMEs tend to have a personalised style of management and a lack of formal management structures with specialised staff. These characteristics are bound to vary widely depending on individual personalities and differing ownership structures. Burns (2001) describes small businesses as social entities that revolve around personal relationships, which are often short of cash, likely to operate in a single market, who find it difficult to diversify business risk and are vulnerable to the loss of customers.
- The SME manager may be responsible for several business tasks at once (Spence, 1999) and awareness of issues beyond the day to day running of the business may be low (Tilley, 2000). SMEs can be difficult to regulate as they are both reluctant to adopt voluntary regulation but are also distrustful of bureaucracy (*ibid.*), and are less responsive to institutional pressures e.g. legal, competitor benchmarking, government agencies, public and private interest groups (Dex & Scheibl, 2001).
- Notions linked to SMEs, such as 'community' and 'small business owner' (Burns, 2001) have become more complex (Curran *et al.*, 2000) suggesting a fragmented, far from homogeneous sector operating in numerous economic spheres, in a dispersed supply chain, with differing managerial styles and ownership structures.

Thus, the assumption of one SME 'type' is false, and attempts to engage the sector in CSR must consider its diversity.

Corporate social responsibility

Recent trends show that there is some growth in the engagement of SMEs in the CSR agenda (Joseph, 2000; MORI, 2000; DTI, 2001, 2002; EC & Observatory of European SMEs, 2002; Grant Thornton, 2002; Irwin, 2002). There is a growing recognition that the issues that are important for CSR are as relevant for small companies as they are for large companiesⁱⁱⁱ.

However, the motivational pressures that may engage SMEs in 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. There are basic CSR issues that all SMEs have a responsibility for, amongst them the creation of a good working environment where diversity is encouraged, the fair distribution of wealth in a community, and 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. However, as this paper demonstrates, there are companies in the UK who have decided to embrace the concepts of CSR and sustainability and who exemplify best practice.

One of the most notable characteristic of research on CSR in SMEs is the limited number of studies (Thompson & Smith, 1991). To date, research on small business and social responsibility can be roughly categorised into four principal areas of investigation.

1. Assessing small business attitudes towards social responsibility and to whom in society they feel responsible (Wilson, 1980; Chrisman & Fry, 1982; VanAuken & Ireland, 1982; Chrisman & Archer, 1984; Joseph, 2000; MORI, 2000; Bodo,

- 2001; DTI, 2001; European Commission & Observatory of European SMEs, 2002; Irwin, 2002; Joyner *et al.*, 2002, Spence & Schmidpeter, 2003).
2. The relationship between small businesses social responsibility and the community in which they are situated (Cornwall, 1998; Besser, 1999; Besser & Miller, 2001).
 3. Attempts to conceptualise the attitudes of small business owner-managers within frame works of social and ethical responsibility from traditional profit maximisation to enlightened self-interest and beyond (Spence & Rutherford, 2001).
 4. CSR strategies in SMEs (Spence *et al.*, 2001; Graafland *et al.*, 2003; Sarbutts, 2003).

Such studies suggest that SMEs feel that they do have a responsibility to society and are involved in CSR activities such as contributing to communities, ensuring employee happiness and protecting the environment. SMEs feel that most pressure and influence on CSR matters comes from customers and employees and that barriers to CSR are time and money. Many SMEs see community and social activity as an ‘add on’ rather than an integral part of their business, and find it difficult to realise hard business benefits.

Methodology

This paper is based on qualitative data derived from in-depth semi-structured interviews with SMEs from across the UK. The study uses a collective case study approach, which seeks to explore how SMEs respond to the CSR agenda and highlight current good practice. This necessitated the choice of companies with a proven track record in CSR related activities such as community initiatives, environmental management and employee related initiatives, and were selected from a search for award winning businesses^{iv}. The case study approach allows an investigation to retain the holistic and meaningful characteristics of real-life events (Yin, 1984), such as the organisational and managerial practices studied here. As noted previously, the use of exemplars allows the researcher to investigate individual instances of good practice, and build them into a body of knowledge that may be transferable to other SMEs e.g. as a model of CSR good practice, or through the development of small business ‘champions’. The research is grounded in the perspectives of owner managers, whose

personal values often influence the strategic direction a company takes (Burns, 2001), and shows how CSR is balanced with the daily activities of a company.

The geographic distribution of the companies was chosen to provide an overview of CSR activity in SMEs across the UK; this was partially predetermined and to some extent determined by the location of award winning companies. The definition of SME size itself has proved complicated and problematic. With no universal definition of an SME, research is based on varying interpretations, making comparisons between studies difficult. In order to minimise variability due to size companies were selected within a middle range of 40-120 employees. This research was not intended to be industry specific so companies were drawn from a variety of industries, which was determined by those who had won awards. Table 1 illustrates the industrial sector, geographic region and size of each company.

Table 1 Industrial sector, geographic region and number of employees of each study company

Company	Sector	Region	No. of employees
A	Printing	South East	57
B	PR	Yorkshire & Humber	120
C	Engineering	Yorkshire & Humber	45
D	Printing	East Midlands	120
E	Engineering	North West	78
F	IT	South East	42
G	Manufacturing	Yorkshire & Humber	100
H	Construction	South East	95
I	Manufacturing	South Wales	120
J	Printing	South West	65
K	Manufacturing	South East	65

The interviews were designed to reveal background information on companies, and sought to discover levels of CSR awareness, how companies define it and the types of CSR activities that companies are undertaking. Further questions were intended to disclose the pressures for and benefits from CSR for SMEs, the nature of stakeholder relationships and the levels of support for SME engagement in CSR. The interviews reveal instances of exemplary behaviour with regards to CSR.

Initial analysis of interview transcripts^v reveals how SMEs respond to the CSR agenda and what CSR means to them. The early findings of this study are presented below and explore the following themes:

- Corporate social responsibility terminology
- The influence of managerial values
- The engagement of SMEs in CSR activities
- Is CSR good for SMEs?
- Motivation for SME engagement in CSR
- The challenges faced by SMEs
- Support for SMEs engagement in CSR

Results

Corporate social responsibility terminology

As the interviewed companies had been selected on the basis of their good CSR all were aware of the term. Although some expressed difficulty in understanding it, companies had little difficulty in defining what CSR meant to them. Common themes that emerged from the various definitions were that CSR was seen as an ‘all embracing’ concept involving the three key pillars of sustainability^{vi} and an awareness of, and responsibility to, a range of stakeholders, the relative importance of whom varied from company to company.

‘...it’s looking at sustainability really, looking at environmental issues, and also economic and social areas as well in all the spheres, but very much specifically translated to business.’ Company J

‘I think it’s your responsibility to stakeholders to perform, or to operate an honest, ethical manner...But I think it’s basically to take, to consider the effects of the business on the local environment, and the social environment, you know 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’. Company E

For some companies environmental management is a key part of CSR, for others employees, the community or customers form the central part of their definition. Some companies used terms like ‘sustainability’ and ‘stakeholder’ explicitly; others conveyed these ideas implicitly.

The majority of companies used moral and ethical arguments to justify why CSR was important to them; they spoke 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’.

‘...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...’ Company C

‘To operate, manage a business, being sensitive and aware of the external world...have an awareness of what we do and the impact we have on the rest of the world...’ Company K

‘...we do it because it’s the right thing to do...’ Company B

Although companies were able to define CSR few actually would use the term to describe their activities, either within the company or externally. Most preferred to call it ‘common sense’ or ‘the right thing to do’, and some broke it down to its component parts such as environmental management, work-life balance and supplier learning. Interestingly, some companies preferred not to use the term as they believed people would be cynical of SMEs purporting to ‘do CSR’.

‘...but again it’s sort of common sense really, we weren’t aware of CSR at the time, but common sense told us that if you’re in a community and you’re making a profit... we thought it was right that some of that should be shared in the community in which we’re living for reasons of it’s a good thing to do...’ Company A

‘...it’s not seen as being something we can say “we’re involved with CSR” because most people would be cynical that we would actually be engaged in that...generally any business that claims to be involved in environmental or socially responsible activities, there is a cynical approach to it’. Company D

Whether companies believed CSR was an appropriate term to use to engage SMEs provoked a strong response. The majority felt that it was inappropriate, describing it variously as ‘confusing’, ‘frightening’, ‘difficult’, ‘daunting’, ‘jargon’, ‘woolly’, ‘abstract’ and ‘academic’. Even those who had no problem with the term thought it was ‘grandiose’ and ‘ambiguous’, and that awareness of it amongst SMEs was low.

‘I think one of the problems with...CSR is that there are a lot of difficult words that definitely confuse people and... if you went out to a lot of my colleagues...even today and said CSR they really wouldn’t quite understand what we’re talking about. And you know I think we desperately need to get some simple terms brought into the equation so that the average person can understand more what we’re talking about’. Company A

'... it sounds quite daunting...I think, social so what, what the hell, corporate, corporate why corporate...you know we're not a corporation, we're a small business...I don't think it is appropriate, I think it needs to be something a bit more hands on, down to earth, that we can get our head around really'. Company I

The main points of concern that companies expressed were

- 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 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 practical 'doing things'

'...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. And you give them several things to do around CSR, ideas and things like that then that makes sense. You give them sets of polices, or implementation or CSR academies and they won't have the slightest bit of interest'. Company F

Suggested alternative terms for CSR included 'good corporate citizen', 'putting something back', 'community involvement' and 'social company responsibility'.

The influence of managerial values

It is because each owner-manager believes in the principles of CSR, and they have the power to influence company culture, that CSR has become important to each company. All interviewees felt that their values were essential and a powerful driver of ethics and standards in the company. Although only a few companies mentioned ethics explicitly, all espoused moral beliefs such as 'integrity', 'honesty', 'trust', 'fairness', and 'respect'. How CSR is defined in each company is therefore strongly influenced by the personal values and beliefs of the head of each company.

'...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'.
Company D

Some companies were deliberately set up by the owner-manager to reflect a more principled approach to doing business, and as a direct response to having previously worked in what they considered to be unprincipled environments.

'... I left that determined... to find out, having discovered how not to manage somewhere, and the importance of actually having a good working environment, determined to find out how to combine effectiveness with principles. So from the beginning it had been focused on creating a great place to work, about treating people well, but on the way we've learnt a lot'. Company F

The engagement of SMEs in CSR activities

Most companies felt that they were being socially responsible simply by supporting the local economy and community by being profitable and successful companies and employing people, but also recognised the importance of other responsibilities. The CSR activities of companies ranged from informal, ad hoc measures to formalised management systems. The key areas that companies get involved in are

- Environmental management
- Communities
- Employees
- Supply chains

though the degree to which each company focuses on each area varies. Most companies had a formal approach to at least one area e.g. the ISO14001 environmental management standard or the Investors in People standard. Community involvement and charitable donations tended to be more unplanned, although several companies were moving towards internal formalisation of such activities. Each company had in some way been recognised and awarded for their work, from local environmental awards to Business in the Community's CommunityMark^{vii} to work-life balance and industry awards. SME CSR activities are often imaginative and innovative; they tend to try to match their CSR with their areas of greatest impact, and schemes often stem from the company's attempts to solve an internal or external

problem. Many talked about making a difference where they could and limiting their CSR activities to their realms of experience. For instance one company, who's main employee drain was people leaving to go travelling, set up a scheme where employees were sent abroad to train people in developing countries, thereby providing employees with experience and broadening their horizons, and disadvantaged people with access to training. Table 1 provides a summary of the main types of CSR activities carried out. While environmental, community and employee related activities are the most common, many of the companies also engage in sustainable supply chain relationships, moving away from traditional adversarial, cost driven relationships towards long-term, fair and honest partnerships based on learning and development e.g. supply chain projects for product take back.

'...our work is repeat business...for the same customers, developing new relationships with new customers, using the same suppliers over, we have strategic relationships with all our suppliers, we train with the same people over and over again, get them into thinking that the way you operate is that you perform well, do a good job, you develop a close relationship with a customer, you get more work off them. Move away completely from this antagonistic, fighting situation...we co-operate and develop partnership relationships with everybody, customer, suppliers, any stakeholders in the business, that's the way we operate, and that's a theme that runs right through the whole company'. Company E

Table 2 Examples of CSR in SMEs

Environmental	Community/Society	Employment	Other e.g. b2b
ISO14001	Work with local schools on projects e.g. working with children with learning difficulties	Investors in People	Have an open house policy for customers, suppliers and competitors to look around
Waste minimisation, re-use and recycling schemes	Donate percentage of profits to charity	Flat management structures	Director's of business associations
Reduction in use of harmful chemicals	Supporting local homeless people	Creation of good work-life balance and family friendly employment	Seeking to develop long-term partnerships with customers and suppliers
Reduction in atmospheric emissions	Sponsorship of local sports teams	Employee newsletters	Supplier learning schemes
Use energy from renewable sources	Involved in award schemes for young people	Social events for staff	Measurement of key performance indicators and feedback to staff, customers and suppliers
Membership of environmental organisations	Time banks for employees to do work in the community	Employees sent to developing countries to train people	Winners of industry awards e.g. world class manufacturing or service excellence
Investment in new technology	Social audit	Award winning training and development programmes for	Support and encouragement for suppliers to become more socially responsible

		employees	
Environmental reporting	Employ people from the local community	Employment of older and disabled people	Take part in industry best practice programmes
Award winning environmental schemes	Award winning community engagement programmes	One to one mentoring for employees	Getting involved in local estate associations e.g. security issues

Is CSR good for SMEs?

Most companies used their CSR credentials to some extent in their marketing. While some hired PR companies to put out press releases, others used awards and standards gained as subtle badges on their web sites and company literature. The benefits of doing so were to raise the profile and improve the image of the company and to promote their market position.

'...with our clients obviously we try and sell them and promote good corporate social responsibility, largely because there's a good marketing opportunity for us there as well, so it's self interest to some extent, a business opportunity...' Company B

Table 3 The benefits of CSR for SMEs

Benefits	Quotes
Improved image and reputation	<i>'...I think it does help just general good image of the company, people just respect you as a company.'</i>
Improved trust and understanding	<i>'...if you're seen in the best light, then for a small businesses...people then will tend to trust you more and understand you more...'</i>
Larger, more prominent profile	<i>'I think we have an image of being a larger company than we are...To a degree that's not a bad image to have, because it gives you a perception perhaps of a greater credibility than maybe you've got. Once they get here they're always very very impressed with what they see.'</i>
Better market position	<i>'...by being considered a responsible employer, your image in the marketplace is better...'</i>
More business	<i>'I think there's an enormous benefit; we've calculated that about 60% of our business now comes through the sort of CSR route...'</i>
Increased employee motivation	<i>'I think people want to; the big feedback that we get from staff is they feel they're doing something worthwhile in the essence of what we do.'</i>
Increased attractiveness to potential recruits	<i>'...that I think it certainly helps with recruitment; the fact that you are a company that's seen to be doing this kind of work makes people feel good about the company, there's no doubt about that...'</i>
Cost savings and increased efficiency	<i>'...as well as pushing forward our market position, it's also had the big environmental savings...'</i>
Risk management	<i>'Risk management, or risk assessment, you look at whether it's going to help you to be more pro-active...'</i>
Benefits company culture	<i>'I think that there are cultural benefits that customers feel'</i>

	<i>when they... visit the site and they meet people and talk about what we do and how we do it, because we're doing it; it's not just we're walking the talk as such, it's happening and we've got examples to show them what we've done throughout the years'.</i>
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While all companies agreed that CSR was beneficial to them in many ways (see table 2) the business case for CSR was less clear to them. They spoke of 'intangibles' or 'soft benefits' and sought greater proof of tangible financial benefits, and answers to the difficult questions surrounding how to measure the benefits of CSR. Companies were least convinced by the benefits of charitable or philanthropic CSR.

<i>'...feel good factor, people here feel good. That all helps, but how do you put a tangible financial benefit on it, I'm not quite sure, but I know it has a benefit, but how you would measure it, that's difficult I think'.</i> Company E
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<i>'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'.</i> Company B
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<i>'The area that I think is always the difficult one is that of the community, and charitable work, and what the benefit is to business in general of having a...what's the structure, what sort of model can you put down for the ideal business/community relations, and why, what's in it for the business'.</i> Company G
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Motivation for SME engagement in CSR

The response from interviewees demonstrated that the pressures on SMEs to be socially responsible are limited and are not a strong factor in motivating them to adopt CSR. The main pressures come from the supply chain and legislation and were greater for companies in industrial sectors with a more developed history of CSR. However, most companies felt no pressure to improve social responsibility, only environmental responsibility. Most companies were cynical of customers who ask their suppliers to prove their CSR credentials because

- It was perceived that they only did so as part of a particular system not through any CSR of their own.
- Customer companies should improve their CSR before asking SMEs to demonstrate their own.
- They felt that they were ahead of many large customers in terms of CSR.

'...they need to get their house in order before they start coming to small businesses about getting our house in order'. Company F

Some companies felt that pressure from legislation and regulatory bodies was growing, but others were disappointed by a perceived lack of pressure from central government. Yet it was clear that the companies did not feel that pressure from any source was the reason for their CSR, more it stemmed from a personal desire (see section on personal values) to do good things and from common sense attitudes.

'...we do it of our own volition because we see it benefits us. We're not doing it because we're forced to do it, we do it because it benefits us, and we see the sense in it...' Company E

'I think the drive is in terms of entrepreneurial spirit to create more wealth for ourselves and our employees.'
Company G

The challenges faced by SMEs

How to justify the allocation of time and resources to activities beyond the daily running of the business was seen as the greatest obstacle to CSR. Time and resources were limited by the size of the company, particularly a lack of dedicated CSR personnel. Only a few companies had a member of staff specifically responsible for environmental management, and even then they were also responsible for human resources management.

'...SMEs don't have the resources to actually enable them as much as they could do. And without resources, it doesn't matter how principled you are, if you don't have the resources then some things have to go by the wayside, and SMEs do not have infinite resources...to go into things like reporting and things like that, you've got to resource it haven't you?'. Company D

'...because as a business, you know, we never keep still, we're always wanting to improve, do better and do new initiatives, and sometimes I would suggest that we forget, not forget about it, but it's not a priority at that moment in time because of business issues that come up day to day.' Company I

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 actually committing the time to it and then actually driving the ethos of the whole thing through the company and getting people to understand why it's important.' Company B

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

'...what you tend to get is a small number of enthusiasts and a large number of people who can't be bothered to even think about it. However, I haven't had any comments this year like I did last year 'why are you doing this, I'd rather you gave the money to us rather than to charity', which was what some of our dear fellows said.' Company G

Support for SME engagement in CSR

A mixed response showed that while some companies believed there was no support at all, others thought that there probably was but they had never sought it and did not intend to.

'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.' Company C

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

The companies felt that support organisations provided a confusing array of services, which often overlapped or gave mixed messages and were poorly funded. One company complained that as a profitable company they were often excluded from access to business grants and supports. Some companies reserved their harshest criticism for the perceived lack of government support for socially responsible SMEs, noting that the UK government could have a major influence on CSR through its procurement policies.

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

'Well I think it's disappointing that there's no government support, we get nothing absolutely nothing, you think we spent 14 years not only building a pretty good environmental culture here, but actually doing a lot to encourage other people to do the same, it's pretty hard really that we've actually had no help whatsoever, no tax concessions you know in terms of corporation tax, company tax or rates, so that's pretty tough I think.'
Company A

Business organisations appeared fragmented in their approach and rarely talked explicitly about CSR. Those companies that were more positive about support for CSR in SMEs were situated in areas where Business in the Community^{viii} was very active, overall CSR support for SMEs is poorly distributed throughout the UK.

Discussion

Organisational change

A learning company is an organisation that facilitates the learning of all its members and continually transforms itself (Pedlar *et al.*, 1991, p.1). *"If the notion of organisational effectiveness is increasingly becoming associated with multi-stakeholder satisfaction, as is the case with a move towards greater business social responsibility, in order to respond positively to the changing environment and to perform effectively, companies need to devote much of their time and effort in listening carefully to their customers, while at the same time participating in the development of their organisations"* (Choueke & Armstrong, 1998). Many of the companies were undergoing, or had undergone, a process of internal organisational changes and learning, which had enabled them to respond positively to the CSR agenda and had even led to greater levels of social responsibility (see figure 1). For instance in companies where the owner-manager was withdrawing from the day to day running of the company, delegating such duties to other senior management, more of their time was freed to focus on activities such as CSR. Companies who moved away from hierarchical management structures found that organisational openness and transparency improved and that staff had greater opportunities for development and advancement.

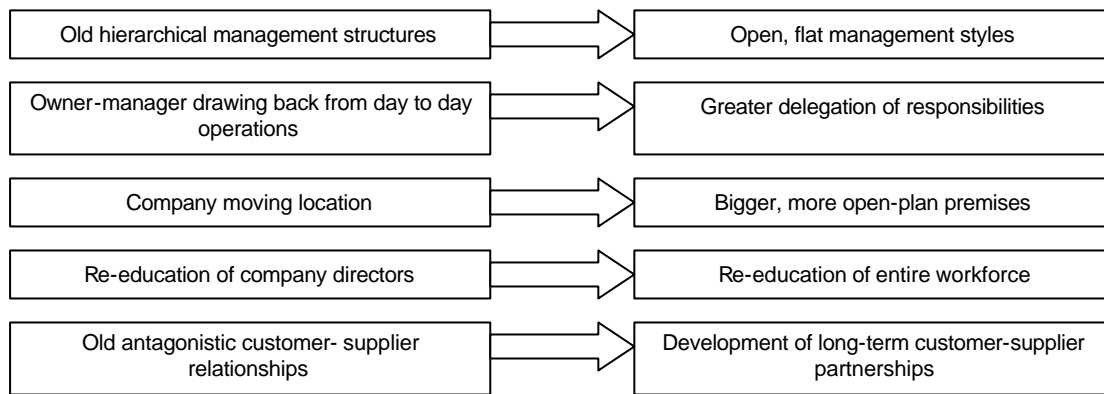


Figure 1 Examples of organisational change

Thus organic changes that companies undergo, or business decisions made to improve organisational effectiveness and profitability, may also lead to greater social responsibility, i.e. you don't have to be consciously trying to be socially responsible to achieve socially responsible results. Table shows how organisational change may be effected more quickly and easily in SMEs than in larger organisations, and provides many opportunities for CSR.

Table 4 Organisational change in SMEs

SMEs may be more creative and innovative	SME owners closer to the organisation
Better organisational communication, more open	SMEs less bound by hierarchy
Easier to 'cascade' things down through the organisation	SMEs less complex
Owner-manager able to directly influence company culture	

CSR terminology and barriers to engagement

Past research suggests that CSR terminology acts as a barrier to effective SME engagement (Joseph, 2000; DTI, 2001). As these companies are already engaged in CSR they clearly understood the term and were able to identify how it related to their company, however it was also seen as a 'grand', abstract term not commonly used at a company level. This has less to do with the term itself and more to do with the hijacking of its use by large companies, imbuing it with meanings like policies, procedures, strategies and regulation that tend to alienate SMEs. When asked to provide a more apt definition the response from SMEs was vague and contradictory, with some suggesting the removal of the word corporate, and others suggesting 'good corporate citizenship' as an alternative. The complexity of the SME sector

would make a search for an appropriate term to fit all futile. Terminology is not the point; the focus should be on teaching SMEs to understand what CSR means for them in a practical sense and using simple, everyday language to achieve this.

SMEs need to survive and be profitable if they are to discharge their most basic of social responsibilities i.e. contribute to the local economy and employ people; doing so takes up the majority of their time and resources leaving little left for other CSR activities. This is commonly seen as the greatest obstacle to engagement in CSR, and even the most committed organisations struggle to overcome these inherent limitations. There are no easy answers, but these companies exemplified best practice in tackling this problem. 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'. If SMEs can relate CSR activities to their business activities e.g. solving internal problems in a socially responsible way, they may also start to overcome another barrier, which is getting employees involved.

SMEs realise that CSR can bring benefits to their business, but more needs to be done to convince both engaged and unengaged SMEs of the business case. Benefits are referred to as soft or intangible and SMEs are reluctant to get involved in CSR activities perceived to be more cost than benefit. Lantos (2001) argues that philanthropic or charitable CSR is not appropriate for businesses, and indeed it is this aspect of CSR that companies had difficulty reconciling. Research linking social responsibility with increased financial performance has produced inconclusive results and has been based exclusively on studies of large companies so is lacking applicability to SMEs (Jenkins, 2004). While the companies **felt** that socially responsible businesses were likely to be more successful they argued that in order to engage the average SME further research was needed to **prove** the bottom line business case.

Motivation and 'entrepreneurial spirit'

Research suggests that pressure from large customer companies motivates SMEs to adopt CSR practices (DTI, 2001; EC, 2002). This study of socially responsible companies shows customer pressure to be weak and only apparent for environmental management. While companies felt that they could adopt some of the ideas of large organisations they felt under no pressure to do so. Some SMEs felt that they were ahead of many large organisations and were extremely cynical of those purporting to be socially responsible, stating that SMEs were

generally more honest, open and ethical than large companies. No doubt the supply chain could and should motivate SMEs to engage in CSR, but its success may depend on how much SMEs trust the motivations of large organisations.

Legislation was seen as a motivating factor by some, but companies felt that pressure from government was weak and should be greater. The UK government signalled its commitment to engaging SMEs in the CSR debate in the DTI's report 'Business and Society: Corporate Social Responsibility'; *'[I]t 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'*. (DTI, 2002, p. 32). However companies felt that the government should do much more to encourage and support responsible businesses and were eager to make suggestions:

- Through their procurement decisions government could exert supply chain pressure on SMEs to display social responsibility 'just by asking the question'.
- The government could provide demonstrably socially responsible SMEs with tax breaks and rate reductions.
- The government should provide access to more training for demonstrably socially responsible SMEs.

As Burns (2001) notes the key to understanding how a particular small business goes about management and why and how decisions are made is to understand the personality of the owner-manager. All the companies were driven by the values and principles of the owner-managers, values that defined each company's approach to CSR. The overwhelming motivating factor for SMEs to engage in CSR was not external pressure but an internal pragmatic and moralistic approach to 'doing the right thing' or 'putting something back' or showing 'entrepreneurial spirit'. Any approach to engaging SMEs in CSR must take the diverse personalities of owner-managers into account. The closeness of an owner-manager to their organisation can be utilised to facilitate the cultural changes often needed to move SMEs toward greater social responsibility.

Support for engagement

Support for SMEs engagement in CSR is limited, poorly funded, contradictory, confusing and fragmented both geographically and ideologically. An integrated approach is needed to help SMEs to understand what CSR means for them and how to integrate it into core business practices. Support organisations should develop tools specifically for SMEs, not simply adapt ideas designed for large companies for small companies.

The companies showed a strong preference for networking and peer learning, and felt that award schemes provided them with an opportunity for benchmarking and learning from others. SMEs should be encouraged to enter awards that allow them to network and benchmark themselves against other small companies, which would be more appropriate than comparing SME behaviour to that of large companies.

Conclusions

This paper presents some of the preliminary findings of an investigation of socially responsible SMEs. Based on data derived from in-depth semi-structured interviews the study shows the nature of SME engagement in the CSR debate from the perspective of owner-managers. As the companies studied were already engaged in various forms of CSR levels of awareness were high and CSR was perceived as an important aspect of business. CSR was broadly defined as having a responsibility to a broad range of stakeholder upon whom the company has an impact. Assisting SMEs to identify key stakeholders and understand how to develop stakeholder relationships is an important aspect of engaging SMEs in CSR. Companies may feel disassociated with certain stakeholder groups and need help to make the connections that can lead to greater social responsibility. While SMEs recognise that CSR can bring business benefits they remain unconvinced of the hard financial benefits. It is felt that more research is needed to prove the business case if all SMEs are to be convinced that CSR equals successful small businesses.

One pathway to greater social responsibility is to stress the importance of making CSR activities relevant to companies. SMEs are least convinced by the benefits of engaging in philanthropic CSR, but are able to clearly see how learning to do things like improving

employee or customer relationships can improve organisational efficiency. The key is to start where they can make a difference, addressing the impacts of a company one step at a time.

Support for SMEs to engage in the CSR debate is still in its infancy compared to schemes designed for large companies; not only is its image poor amongst SMEs, but they are often reluctant to seek help or utilise available services, preferring complete autonomy. A possible route to overcome difficulties in providing support for SMEs to engage in the CSR debate is to utilise SMEs preference for peer learning networks, benchmarking against contemporaries and the sharing of best practice in CSR as exemplified by the companies in this study.

It is widely recognised that the CSR needs of small business must be addressed (Bhatt, 2003; CSR Europe, 2003); however this is still a drop in the ocean compared to the amount of effort seeking to engender greater CSR in large companies. Much more research is needed to explore overall SME attitudes to CSR^{ix}, levels of social responsibility and methods for greater involvement. A business case developed for SMEs, in SMEs, must also be sought if SMEs are to be convinced that CSR is also good for them.

Notes

ⁱ SMEs make up over 90% of businesses worldwide and account for between 50 and 60% of employment (UNIDO, 2002).

ⁱⁱ The SME Key [see <http://www.smekey.org>, accessed 28/04/2004], Business in the Community small business channel [see http://www.bitc.org.uk/small_businesses/index.html, accessed 28/04/2004], The Small Business Service *Encouraging Responsible Business* [<http://www.sbs.gov.uk/content/pdf/sbsbrochure1.pdf>, accessed 28/04/2004].

ⁱⁱⁱ The SME Key <http://www.smekey.org> (accessed 28/04/2004), Small Business Service. 2002. *Encouraging Responsible Business* <http://www.sbs.gov.uk/content/pdf/sbsbrochure1.pdf> (accessed 28/04/2004), BiTC Small Business Channel Homepage http://www2.bitc.org.uk/small_businesses/ (accessed 28/04/2004)

^{iv} For example local and regional environmental awards e.g. <http://www.arenanetwork.org/awards/index.asp> (accessed 04/05/2004), Business in the Community's Awards for Excellence <http://www.bitc.org.uk/awards/index.html> (accessed 04/05/2004), The National Business Awards <http://www.thenationalbusinessawards.com/home.htm> (accessed 04/05/2004), The Queen's Awards for Enterprise, National Training Awards (Investors in People), <http://www.iipuk.co.uk/IIP/Internet/MediaCentre/PromotionsandEvents/Promotions/NTA+2004+entry.htm> (accessed 04/05/2004), Employer of the Year Awards, http://www.workingfamilies.org.uk/asp/awards/a_EYA_awards.asp (accessed 04/05/2004).

^v All data is anonymous.

^{vi} The practice of sustainability is about creating new ways to live and prosper while ensuring an equitable, healthy future for all people and the planet... Is it good for business [the economy], good for society and good for the environment? The Natural Step <http://www.naturalstep.org/> [accessed 06/05/2004].

^{vii} For more information on Business in the Community's CommunityMark see http://www.bitc.org.uk/regions/bitc_in_your_region/yorkshire_the_humber/programmes/communitymark/ (accessed 04/05/2004)

^{viii} Business in the Community is a unique movement of 700 member companies committed to continually improving their positive impact on society. They are an independent charity with 20 years experience of achieving their charitable purpose "to create a public benefit by working with companies to improve the positive impact of business in society". See <http://www2.bitc.org.uk/index.html> (accessed 04/05/2004)

^{ix} The SMEs in this study exemplified instances of best practice in CSR currently happening in UK SMEs; however they are not representative of the general SME population. The next stage of this research project will focus on a non-biased sample of SMEs.

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