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Shouldering the Burden of Corporate Social Responsibility: What Makes Business Get Committed?



Heledd Jenkins and
Frances Hines



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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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Abstract

Business is increasingly aware of the changing nature of demands on its approach to management and operations. The increasing interest in health, safety and environmental issues that has come into prominence in the 1990s now includes a new emphasis. Business is now being required to take its social responsibilities to a variety of stakeholders much more seriously than it has done in the past. The spread of the concept of sustainability in business has meant that the social and ethical issues facing companies in their strategic planning and daily operations have become an increasingly important consideration for CEOs and employees alike. This new trend has been encapsulated in the concept of Corporate Social Responsibility, and has been embraced by the UK government and the EU. While this may be the new management focus in some large corporations, many have yet to understand what it encompasses, the implications for their business or the ways in which CSR may be integrated into their strategic management and day to day operations.

This paper attempts to analyse why companies take on the task of CSR, and identifies what challenges and barriers they face when assuming a CSR role. The differences between large and small companies and the factors driving them towards CSR are investigated. The paper is based on data gained from a large scale UK national survey carried out in 2002, and the Supplier Environmental Assessment (SENA) project carried out between 1999 and 2001. In conclusion, the authors identify what barriers and opportunities face companies in their progress towards the integration of CSR, and offer some suggestions as to how effective progress can be facilitated.

Introduction

The expectations for the business world outside a purely economic sphere are increasing. These expectations include issues such as the environment, human rights, animal rights, employment, the inclusion of minorities, and Third World development. Globalisation, the growth of the media and communications technology, and economic development have all led to a shrinking world in which a company and its associated actors are increasingly visible. Although these expectations may affect different sizes of companies in different ways, they apply to and are important for all, from multinationals to Small to Medium sized Enterprises (SMEs)¹.

For several decades companies in the developed world have been responding to the challenge of environmental protection. In some ways, a proportion of larger companies has gone further than simply attempting to obey environmental laws. The introduction of voluntary environmental standards such as ISO14001 and EMAS has seen companies attempting to integrate environmental management into their business management strategies. There is also a growing trend in environmental reporting and accounting, reflecting increased transparency and greater accountability in some business sectors.

The concept of sustainability takes both of these, the economic and the environmental spheres, and adds a third dimension, society. Companies have a responsibility to be economically viable (to provide employment, make a profit and provide a return for investors and shareholders) as well as to safeguard the environment. They also have an obligation to be responsible to all those in society who have a stake or interest in the company i.e. the stakeholders. It is from this obligation to society that the concept of Corporate Social Responsibility (CSR) emerges. This concept has been around since the mid 1900s, but has recently become a new management focus for companies. Its basis is that the socially responsible

¹ The EU defines SMEs based on employee numbers, turnover or balance sheet total and ownership. An SME-

- Has fewer than 250 employees, and either
- An annual turnover not exceeding ECU 40 million, or
- An annual balance sheet total not exceeding ECU 27 million, and
- Is an independent enterprise, i.e. 25% or more of the capital or voting rights cannot be owned by large enterprise/s. (Hillary, 2000).

company should strive to “make a profit, obey the law, be ethical and be a good corporate citizen” (Carroll & Buchholtz, 2000).

The developing interest in CSR by European business has recently been fostered by the publication of the EU’s Green Paper ‘Promoting a European framework for corporate social responsibility’ in July 2001. The paper aims to open up a debate on how the European Union can promote CSR at a Europe-wide and international level. It seems that this aim has been successful, with a large number of responses to the paper so far. The EU also hopes to

“...make the most of existing [CSR] experiences, to encourage the development of innovative practices, to bring greater transparency and to increase the reliability of evaluation and validation.” (‘Promoting a European framework for corporate social responsibility’, EU Green Paper, 2001, p.6).

It suggests a partnership approach to achieving these aims; working with local communities, business partners, suppliers and consumers.

Thus, with CSR firmly on the agenda in Europe, the research question that this paper poses is, what are the factors that motivate companies to take on the role of Corporate Social Responsibility?

If the answers to this question were more clearly apparent, governments and other interested stakeholders could develop effective programmes to encourage greater adoption of CSR principles and applications. Most research in the area of CSR has tended to concentrate on the behaviour of large corporations; little has been discussed about the importance of being socially responsible for smaller companies and what it means for them.

The idealistic view shows SMEs as being strongly embedded in the local community (Spence, 1999), thus their assumed obligation to society (whatever that may be) should be very important. However some research has suggested otherwise, describing small companies as 'fortress enterprise' and 'highly disconnected,,,,,,*petit bourgeoisie*' (Curran and Blackburn 1994, Rutherford *et al.* 1997). Consequently,

SMEs can often be crucially lacking in a connectedness with their surrounding environment and the people in it. Is social responsibility therefore a role for SMEs to pursue? This paper attempts to begin to strive for a better understanding of SMEs in this context.

The paper begins by tracing the evolution of the CSR concept. It then reviews current literature on CSR, and the motivations of companies developing CSR related activities. Using some of the initial the results from a large-scale survey of the top 800 companies in the UK the authors then attempt to define the main reasons why larger companies are taking on the mantle of social responsibility, what kinds of activities they are carrying out, and what are the challenges and barriers they face in attempting to assume this role.

Perceptions of CSR in SMEs, most notably with regard to attitudes to the environment, will be drawn from information collected during a large-scale project that involved 100 SMEs in the South Wales region of the UK. The project looked at the types of environmentally responsible activities carried out by SMEs, the motivations for these actions, and especially the challenges and barriers faced.

In conclusion, the paper summarises the importance of key factors in encouraging businesses both large and small, to become involved in CSR activities. The paper discusses and compares the perceptions of social responsibility in SMEs and large companies, and offers some conclusions as to how companies can more easily integrate socially responsible practices into business management strategies.

CSR is one concept that encapsulates a range of other theories and concepts relating to business management, such as Corporate Social Performance (CSP), business ethics, stakeholder theory and corporate citizenship. Although the paper offers a brief review of some of these theories, attempting to define and explain all of these concepts is not within the remit of this paper. However as CSP is the operationalisation of CSR, it will become clear throughout the paper that the terms are difficult to separate and are often used interchangeably.

Tracing the evolution of the CSR concept

The concept of Corporate Social Responsibility (in its modern form) can be traced back to the 1950s, beginning with Howard R Bowen- “the father of CSR” (Carroll 1999) and his book ‘Social Responsibilities of the Businessman’ (1953). Throughout the 1960s and 70s CSR was defined and re-defined by a number of commentators, significantly expanding the body of literature on the subject. Keith Davis in 1960, for example, defined CSR as

“businessmen’s decisions and actions taken for reasons at least partially beyond the firms direct economic or technical interest.” (David 1960).

In 1979, Archie B Carroll proposed a four-part definition of CSR- economic, legal, ethical and altruistic or discretionary CSR.

“The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organisations by society at a given point in time”. (Carroll 1979).

A company’s economic responsibility to society entails producing goods and services that society wants and selling them at a fair price that society accepts. Legal responsibility can be defined as complying with the law and ‘playing by the rules of the game’ (Lantos 2001). Ethical responsibility goes beyond this:

‘Ethical responsibilities embody the range of norms, standards, and expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just or in keeping with the respect for or protection of stakeholders’ moral rights.’ (Carroll 1991).

Discretionary or philanthropic responsibilities are purely voluntary and are often guided by the personal values of an individual within a company. They go beyond the legal, and are not generally expected in an ethical sense. Although other definitions have been put forward since Carroll in 1979, for the purposes of this paper his definition remains a useful basis for analysis as it encompasses the crucial elements of a company’s responsibility to society. In his article, Lantos (2001) takes Carroll’s four aspects of CSR and argues that whilst economic, legal and ethical considerations should be obligatory for business, philanthropy is not a legitimate concern. He suggests that strategic CSR, “good works that are also good

for business”, should replace this. This links back to the economic aspect of CSR, but also reflects the changes in business understanding of its relationship with society.

Conceptual models of CSR and CSP were developed alongside the expansion of definitions. An early model is Carroll’s 3-D Conceptual Model of CSP (Carroll 1979), which attempts to provide academics with an understanding of the distinctions between definitions of CSR, and managers with a tool to better understand how to integrate CSR into the economic framework of a company by considering CSP. There are three aspects to this model, social responsibility categories, a philosophy of social responsiveness and the social issues involved (see Fig. 1). The development of Carroll’s model ended a period of focusing on definitions and led to an expansion of the themes surrounding CSR, such as Corporate Social Performance (CSP), business ethics and corporate citizenship, and numerous attempts to model these concepts. Models included Dalton and Cosier’s (1982) “four faces” of CSR.

Social responsibility categories	Economic, legal, ethical and discretionary/philanthropic
Philosophy of social responsiveness	Reaction, defence, accommodation and proaction
Social (or stakeholder) issues involved	Consumerism, environment, discrimination etc

Figure 1. Carroll’s 3-D model of CSP, (adapted from Carroll 1979)

Carroll’s model (1979) has been expanded several times. Wartick and Cochran (1985) traced the development of Carroll’s CSP model through focusing on three challenges to the CSR concept- economic responsibility, public responsibility and social responsiveness. They transformed Carroll’s three dimensions into principles, processes and policies (or issues management) and concluded that

“the CSP model is valuable for business and society study and supplies the beginnings of a paradigm for the field.”

Wood (1991) offers another version of Carroll's model. This is concerned with the outcomes of corporate behaviour:

"the outcomes of corporate behaviour are of direct and obvious interest in the assessment of corporate social performance."

Her model is ordered into three principles of CSR, social legitimacy at an institutional level, public responsibility at an organisational level and managerial discretion at an individual level. Wood went on to devise a model of the outcomes of 'acting' on these CSR principles within Carroll's four aspects of CSR (economic, legal, ethical and discretionary).

The difference inherent in CSP as distinct from CSR is the focus on social performance. CSP identifies the ways in which companies can accomplish significant performance improvement once they have accepted and adopted social responsibility as a relevant concept. The focus on performance has been paralleled by a debate on social responsiveness. S. Prakash Sethi (1975), classified corporate behaviour in response to societal needs into three categories- social obligation, social responsibility and social responsiveness. Social responsiveness, he states, suggests that what is important is

"not how corporations should respond to social pressure but what should be their long-run role in a dynamic social system."

Ackerman and Bauer (1976) suggest that responsibility implies a state of having assumed an obligation, whereas responsiveness is a more dynamic term implying action that needs to be taken. William Frederick (1978) outlined a 'conceptual transition' from the

"philosophical-ethical concept of corporate social responsibility [CSR2]to the action-orientated managerial concept of corporate social responsiveness [CSR1]."

In short, responsiveness is dynamic, assumes an obligation has been undertaken, and relates to the more pragmatic managerial decisions that companies must carry out. To be socially responsive, companies must be sensitive to the dynamic nature of society.

The 1990s saw further development of the themes of CSR and more research aimed at measuring and operationalising CSR. In particular, the decade witnessed the development of attempts to link the social responsibility of companies to their financial performance. This trend has continued into the new century with increasing emphasis on finding empirical evidence to support a positive correlation between good social responsibility and strong financial performance.

The concept of CSR has been well developed over the last half-century. Research has tended to focus on progressing definitions and developing models. Recently, however, the research spotlight has shifted to finding empirical answers to CSR questions and developing new terms that sit alongside it, such as CSP, responsiveness, and corporate citizenship. This tends to assume that CSR is a concept that has been fully embraced by business. This paper looks at why business (both large and small) may assume social responsibility, and why it may not be so easy to fully embrace CSR.

Factors motivating the adoption of CSR

Business operates in a global market where companies are increasingly in the public eye. It is difficult for companies to hide indiscrepancies as they are highly visible and are vulnerable to attack from stakeholders e.g. consumer boycott campaigns. Companies need to be sensitive to societal anxieties if they are to avoid damage to their reputation. These anxieties change over time, as different issues come into the public eye, so companies must be dynamic in the way that they respond. The main factors that may motivate companies to carry out social responsibility are stakeholder management, financial performance, consumer pressure, risk management, attracting employees and personal values. A brief discussion of these factors follows.

Stakeholder Management

Stakeholder management is a generally accepted concept in the business community. Greater media exposure, environmental and health related incidents that have caused public anxiety and local

community conflict resulting from site management or planning decisions have ensured that effective management of stakeholders has risen up the list of priorities for company managers. Stakeholders have been defined as:

“..... groups and individuals who benefit from or are harmed by, and whose rights are violated or respected by, corporate actions.” (Freeman 2001)

Figure 2 identifies the main stakeholders a company may have.

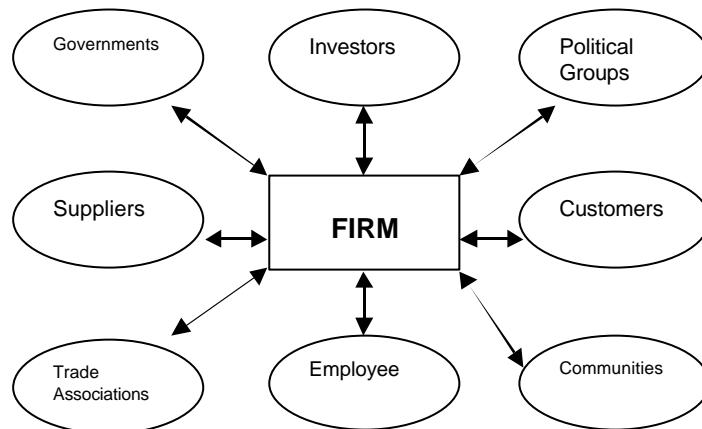


Figure 2. The Stakeholder model of the corporation (Donaldson and Preston 1995).

If business is to be responsible to society, who in society must it be responsible to? Society today consists of a wide range of people who have interests, expectations and demands as to what companies and organisations ought to provide, and the ways in which they should behave. Companies are increasingly embracing these stakeholder groups and individuals, whether by considering or including them in decision making

“our policies will reflect individual voices and local opinion as well as our corporate aspirations” (British Telecom, 2002).

The motivation here then for business to become involved in CSR is to address the wide ranging and constantly changing set of demands that stakeholders have.

Financial performance

Since the early 1980s a significant body of CSR research has centred around the debate over whether there is a relationship between good CSP and strong financial performance, and what kind of relationship there is. Lantos (2001) argues that true CSR, that is strategic CSR, can only be carried out if a company also profits from its ‘good works’. Today, businesses are becoming increasingly interested in the idea of the ‘triple bottom line’ (TBL). This idea focuses businesses not just on the economic value that they may gain from acting in a certain way, but also on the value that they may accrue to the company’s bottom line by engaging in environmentally and socially beneficial practices. The three ‘lines’ represent society, the economy and the environment (SustainAbility, 2002²) and are all dependent on each other. Whether companies do (or can) actually take each line into account is difficult to measure as the arguments surrounding whether companies do benefit financially from being socially responsive are not clear cut.

Government agencies and organisations promoting the CSR agenda seem to be convinced that assuming a CSR role will bring financial gain to the business world.

“.....Corporate Social Responsibility (CSR) is a powerful way of making sustainable competitive profit and achieving lasting value for the shareholder as well as for stakeholders. CSR and the reporting thereof is a win-win opportunity, not just for companies and for financial investors but for society at large.” (CSREurope 2000³).

“Socially responsible business practices contribute to corporate productivity and profitability.” (Business for Social Responsibility 2002⁴).

Academic research has not been so concrete in its findings. Numerous studies have shown:

- A positive correlation between CSP and profit (Waddock & Graves 1997, Balabanis *et al.* 1998, Ruf *et al.* 2001)
- No relationships (McWilliams & Siegel 2000, 2001)

² Date accessed SustainAbility website.

³ Date accessed CSR Europe website.

⁴ Date accessed Business for Social responsibility website

- A negative correlation (Wright & Ferris 1997)

Although positive relationships have been found, there are several difficulties inherent in measuring these linkages. One of the main problems is that it is not clear whether social responsibility leads to increased financial performance or whether better profits lead to more funds being available to devote to CSR activities. Another is that profit is an incomplete measure of social performance (Lantos 2001). Yet another is the difficulty of developing a consistent set of measures that define CSR or CSP.

Balabanis *et al.* (1998) analysed the economic performance of 56 large UK companies against measures of CSR performance and disclosure developed by the New Consumer Group. They found that economic performance is related to CSR performance and disclosure, however relationships were weak and lacked consistency.

McWilliams & Siegel (2001) predict that there is a 'neutral' relationship between CSR activity and company financial performance. In their study, they investigated this relationship using a theory of the firm perspective, scale economies and cost-benefit analysis. Their three main conclusions were:

- The neutral relationship exists because the company that carries out CSR activities will have higher costs but higher revenues, whilst the company that has no CSR activities will have lower costs but also lower revenues, thus profits are equal.
- Large firms will have lower average costs for providing CSR activities than smaller companies.
- There is an optimal level of CSR that will maximise profits while satisfying the demand for CSR from multiple stakeholders. The ideal level of CSR can be determined by cost-benefit analysis.

A larger study carried out by Ruf *et al.* (2001) used a database of 500 companies to investigate the relationship between social performance and financial benefit. A group of stakeholders with a variety of interests was used to measure the societal expectations of business. Growth in sales, return on equity and

return on sales were used as financial measures. They found that change in CSP was positively associated with growth in sales. However, there were several limitations to this study:

- The data is only accurate for one given point in time, so no conclusions about overall financial performance can be made
- The societal expectations are sensitive to, and influenced by, the events and issues of this given point in time

These limitations illustrate the difficulty of using empirical data to suggest a positive relationship between CSP and financial performance. However, empirical evidence is needed to provide definitive answers as to why companies should assume a CSR role. Providing concrete evidence to managers of the financial benefits of CSR should motivate companies to integrate CSR into their business activities. The danger lies in the fact that the much vaunted TBL so beloved of government and business support organisations must be proved conclusively. Those companies attracted to CSR by this motivational factor only may find the outcomes disappointing.

Consumers

Consumer pressure and damage to the global image of popular brands is one reason why companies may be motivated to assume the mantle of social responsibility. Much recent pressure has centred on the protection of the environment e.g. campaigns to stop deforestation; other important issues include the protection of human and animal rights, safeguarding jobs, the inclusion of minorities and the behaviour of companies operating in the developing world. A classic example is that of Shell whose handling of the Brent Spar affair led to widespread consumer boycotts, and whose operations in Nigeria have been widely criticised. These issues motivated the company to issue its first *Report to Society* in 1998:

“The public demands from us the highest standards of ethical and environmental responsibility. They expect us to take a long-term interest in the economic and social well-being of the wider community,

including the international community, and reflect this in sensitive development of the world's resources" (Shell UK Ltd. *Report to Society* 1998).

The Shell case also illustrates the difficulties that exist in drawing the line between what a company may and may not be responsible for. In Nigeria, Shell was asked by the local community and political institutions to find solutions to local political and societal problems without having the social or political authority to do so. Consumers may often make demands on a company to act in a responsible manner in areas outside the company's sphere of influence (and indeed outside the consumer's experience) where they do not actually sell their products.

"Shell companies are not just economic actors; nor can they be social activists...Their role lies somewhere in between, as responsible, efficient and acceptable business organisations acting on the changing world stage" (Watts 1998).

Consumer pressure is very strong in the developed world and is likely to increase not decline, especially in the current climate of concern about public health. Recent anxiety in the UK has centred around food and farming, highlighted by the BSE and Foot and Mouth crises. It is high profile consumer related concerns such as these that will force more and more companies into adopting some of the principles of CSR.

Risk management

Risk management has tended to centre on the problems that can be caused by consumer pressures. However, today risk management encompasses a wider range of stakeholders, each of which must be considered if a company is to avoid a variety of pitfalls and protect its reputation. Companies often conduct business in areas where they could be at risk, especially if working in developing nations or with companies with irresponsible practices. CSR activities can be used to mitigate these risks. The increased exposure of companies to the glare of public scrutiny has encouraged (or forced) business to be increasingly transparent in their environmental and social disclosures. This has led to a growing trend in environmental and social or sustainability reporting, and a commitment to improving social performance.

Employees

Many studies have shown that investing in employees can bring direct benefits to a company both financially and in terms of increased employee loyalty and productivity. Such investment can include schemes like provision of childcare facilities, flexible work hours and job sharing. Employee investment is an essential aspect of CSR as the workforce is also the community; especially in smaller companies where a substantial proportion of employees are likely to come from the local community. Involving employees in CSR activities is another way of investing in them. For example Ben & Jerry's employee-led CSR schemes through the Ben & Jerry's Foundation an example of which are the employee-led Community Action Teams, which distribute small grants to community groups (Ben & Jerry's Foundation 2002)

Good social performance also provides companies with a competitive advantage when attracting a skilled workforce. Gaining access to highly skilled, high value labour likely to be stimulated by, and interested in, companies with well developed CSR approaches is a strong motivating force. A recent study suggested that applicants are more likely to pursue jobs from socially responsible companies than from companies with poor social performance reputations (Greening and Turban 2000). The study found that applicants might have a higher self-image when working for socially responsive companies. Examples of companies using their CSP as a means of attracting quality employees include IBM, Microsoft and General Motors.

Personal values

Companies (and individuals within an organisation) may be motivated to carry out CSR for moral reasons. This approach to CSR is described in the literature as discretionary, voluntary or philanthropic CSR. Voluntary CSR goes beyond the usual economic confines of social responsibility in contributing to the common good at the possible, probable, or even definite expense of the business (Lantos 2001). Voluntary CSR does more than just prevent and rectify harms that a company may cause, it assumes the

responsibility for societal problems that the company has not created. Carroll & Buchholtz (2001) also term this behaviour as 'corporate citizenship'. A good example of voluntary CSR can be seen in the activities carried out by Ben & Jerry's ice-cream company through the Ben & Jerry's Foundation:

"About half our philanthropic dollars went to the Ben & Jerry's Foundation. It's mission is to support progressive social change in the United States by contributing to grassroots groups that focus on the underlying conditions that create social problems such as racism, sexism, poverty and environmental destruction". (Ben & Jerry's Social Performance Report 1999).

This approach has been questioned by a number of commentators, famously by Milton Friedman who argued that "The social responsibility of business is to increase its profits" (1970), and more recently by Lantos (2001) who argues that voluntary CSR lies outside the scope of business responsibility. Why then would companies choose to get involved at this level? The answer lies in the personal values and commitment to principles of some individuals in business, who argue that it is the fundamentally 'right thing to do'.

There are likely to be other factors motivating companies to embrace a socially responsible approach, however, the ones discussed above are those currently concerning researchers trying to provide a clearer understanding of why companies get involved in CSR. The research carried out has mainly focused on large corporations and these motivating factors are mainly associated with them. However, the importance of the SME in the national economy leads us to ask the question of why so little research has focused on the SME sector and its potential for developing social responsibility.

The SME perspective

The most notable characteristic of empirical research on CSR in small business is the limited number of studies (Thompson & Smith 1991). The studies carried out are dated, and are all based on the USA. The studies show the following as key social responsibility areas of small business: customer relations, consumer relations, product quality, employee concern and profitability (Chrisman & Archer 1984, Chrisman & Fry 1982, Wilson 1980 and Reeder 1978). More recent, European based, studies have tended

to concentrate on business ethics, and environmental ethics and the small company (Vyakarnam *et al.* 1997, Spence 1999 and Tilley 2000).

Reasons given for this lack of research include:

- Small businesses are perceived to have too little resources to influence social responsibility
- Research methodologies created for large companies are not easily adapted for small companies
- Information on which to base research is more readily available for large companies
- Large companies are more visible, which generates more interest in theories and research about their social responsibility (Thompson & Smith, 1991).

The contribution of SMEs to the economy and employment is vital. It is estimated that SMEs constitute 99% of all business in the UK and account for 32.3% of total employment (Tilley 2000). In Europe around 90% of all enterprises are small or medium-sized, and this number is set to increase (Hillary 2000). Although CSR has been traditionally seen as a role for large corporations, it is also very important for SMEs. The EU Green Paper recognises the importance of CSR for SMEs:

“.....it is relevant in all types of companies and in all sectors of activity, from SMEs to multinational enterprises (MNEs). Its wider application in SMEs including micro-businesses is of central importance, given that they are the greatest contributors to the economy and employment.” (‘Promoting a European framework for corporate social responsibility’, EU Green Paper, 2001, p.10).

The Green Paper indicates that the EU is committed to developing the potential for CSR in SMEs, and exploring the best practice options. However, SMEs are only mentioned in passing and no practical CSR implementation solutions for SMEs are offered. Such solutions would need to allow an understanding of the nature of social responsibility in small firms, what are the attitudes towards it, what motivates companies to be socially responsible, and what are problems small companies may encounter?

It is a widely held view that many SMEs already practice socially responsible activities, though they may not be as widely promoted as those of large companies. These may include apprenticeship schemes, flexible work hours and involving schoolchildren in projects. The problem in identifying precisely the activities carried out and the motivational factors driving SMEs is that little real measurement has been carried out. A recent poll conducted by MORI found that a 'surprising' number of SMEs are involved in social responsibility (defined as a contribution to the community). However, SMEs were not yet defining social responsibility as an issue to be integrated into everyday business strategy. Barriers to the incorporation of social responsibility put forward by the survey were time pressures, costs and effects on company profits ('SMEs' Attitudes to Social Responsibility', MORI 2000).

Many of the motivational factors discussed earlier in the paper do, of course, relate to SMEs as much as they do to large companies. SMEs often carry out voluntary practices such as involving schoolchildren from the local community, sponsorship and charitable donation. However, SMEs are much less visible to the public, so the levels of risk they run are not as great. It is also essential to remember that SMEs are not 'little big companies' (Tilley 2000) and are very different structurally and culturally to large companies.

There are several reasons why the CSR activities of large companies are more visible than those carried out by SMEs.

- Availability of resources- large companies have more financial resources, more staff to dedicate, the ability to set up specialised departments e.g. community relations.
- High visibility and vulnerability to consumer attack- one way for large companies to protect their reputation is to clearly advertise their social responsibility
- Higher profile- large companies have a higher public and media profile and more likely to be in dialogue with organisations promoting CSR e.g. Business in the Community

- Socially Responsible Investment (SRI)- exposure to this is more likely for large companies, thus providing them with both threats and opportunities.

(Bodo 2001)

There are several aspects of SMEs that could be described as unique. Small firms are often quite independent of the society in which they are situated, preferring complete autonomy in the decision making process (Spence 1999). The manager in a small company may often be responsible for several tasks at once, leaving little time and energy for thinking outside of the economic sphere of the business. Managers will often spend most time keeping the business alive in the short-term rather than devoting time and energy looking to the long term and exploring new paradigms e.g. social responsibility, in which to place their business. Not because they want to, but because they have to.

Resources are nearly always limited in an SME- time, limited cash-flow, and staff. This often leads to an inability to become more aware of issues not directly related to the day to day running of a business. For instance, the level of environmental-literacy (knowledge of environmental issues, legislation and regulations), amongst SMEs is low. Tilley (2000) suggests that there is little willingness amongst SMEs to integrate their personal values or the values of others into their business, and therefore they become increasingly out of touch with new models of business behaviour and societal expectations. Spence (1999) argues that SMEs are no more likely to adopt standard, formalised controls for [social responsibility] than they have been enthusiastic for quality or environmental standards. This leads to a bit of a conundrum. Research shows (Tilley 2000) that SMEs are reluctant to adopt voluntary regulation (won't work, not enough knowledge about specific issues, fear of free loaders) but are also distrustful of bureaucracy.

SMEs do however have the ability, due to their small size, to initiate change. Those in small companies can build trust and personal relationships with employees, suppliers and customers alike due to the increased possibility of personal contact (Spence 1999). Without being bogged down in the proliferation

of procedures and controls that exist in large companies, SMEs can convey ideas and provide leadership and guidance more easily. SMEs do face certain challenges that may not bother large companies, however, they also have the flexibility to become innovative.

The research that has been carried out to date on CSR and SMEs has been heavily criticised for being too anecdotal, lacking in empirical data and theoretical rigour and for its methodological weakness (Tilley 2000, Geiser & Crul 1996, Goss 1991, Thompson & Smith 1991). Although the small company research which forms the section of analysis that is generated from the authors' experiences in the field does reflect some of these criticisms, it has other strengths.

Results from research in Wales and the UK

Several types of data source have been used to inform the questions posed by this paper. Some data is quantitative whilst some is in case study and anecdotal format. The large company data is based on a UK wide survey. The SME data is taken from across the South Wales region of the UK. The methodology behind the data is strong and was developed over a considerable period of time. The SME research involved detailed interviews and lengthy observation of their operations in Wales. Data is not based upon the self-assessment of companies. The data covers different industrial sectors, and different sizes of companies.

Large companies and social responsibility

In early February 2002, a questionnaire survey was sent to the top 800 companies in the UK. These were identified from the FTSE 500 Index and the Wales 300 Index for 2000. This survey contained questions about the types of CSR activities carried out by companies, what factors motivated them to carry out these activities and the challenges and barriers faced by companies in assuming a CSR role. The questionnaires were targeted at specific people in each company, namely those who had a responsibility

for the environment in their job e.g. Environmental Managers, Sustainability Managers, Health and Safety Managers and Human Resources Managers.

The following briefly describes the results of the questionnaire survey. The overall initial response to the survey has been slow (4% to date) and these results are based on the limited response so far. All respondents (bar one SME with 48 employees) are large companies with employee bases ranging from 250 to 100,000 world-wide. A sectoral break down reveals that the highest level of response is from construction, utilities and manufacturing companies (see fig. 3).

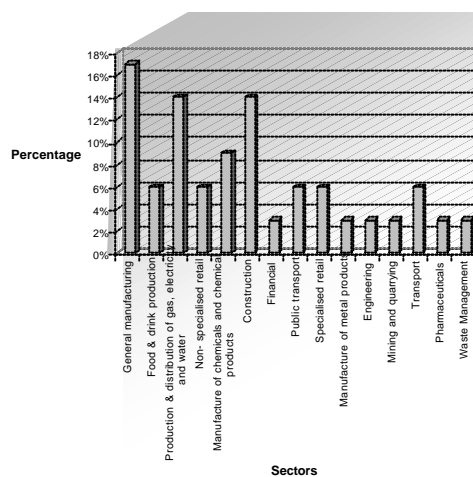


Figure 3. Sectoral breakdown of surveyed companies (as percentage of total)

The first section of the questionnaire looked at the levels of sustainability and socially orientated activities amongst companies. Variables included whether companies had an environmental policy, whether they had implemented an Environmental Management System, and whether they carry out social reporting; the response to this section was high. All respondents carried out some level of socially/sustainability orientated activities, though to varying degrees. Whilst 100% of companies had an environmental policy and over 60% carried out environmental reporting, less than 40% had actually implemented an Environmental Management System (see fig.4). The variables showing the greatest spread of responses are Environmental Management Systems and sustainability reporting. The level of social reporting amongst companies was split quite equally between those who carried out social reporting (39%) and

those who didn't (33.5%). Two notable occurrences are that 53% of companies did not have a sustainability management system (although this is hardly surprising as the idea of sustainability management systems is still at an embryonic stage), and 85% of companies did not provide childcare facilities at work. This may indicate that a company's in-house practice may not reflect its socially responsible policies.

The second section looked specifically at socially responsible activities. The response to this section was good, though not as high as the first section. 92% of companies did carry out some form of socially responsible activity. The most common activity was contributing to charitable and not-for-profit organisations (94%), see fig. 5. Other activities that scored highly included proactive efforts to exceed social/regulatory standards and sponsorship for the local community. Almost two-thirds of companies stated that they served (without compensation) on public boards and other non-business forums. The lowest response was to providing employment and training initiatives for the long term unemployed and undertaking Cause Related Marketing partnerships.

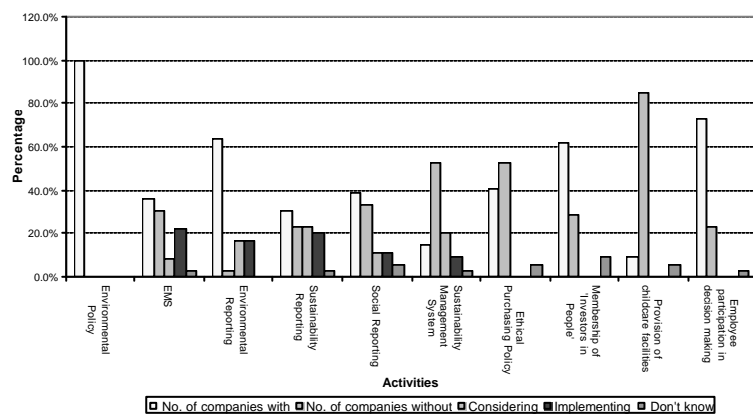


Figure 4. Levels of sustainability/socially orientated activities amongst surveyed companies

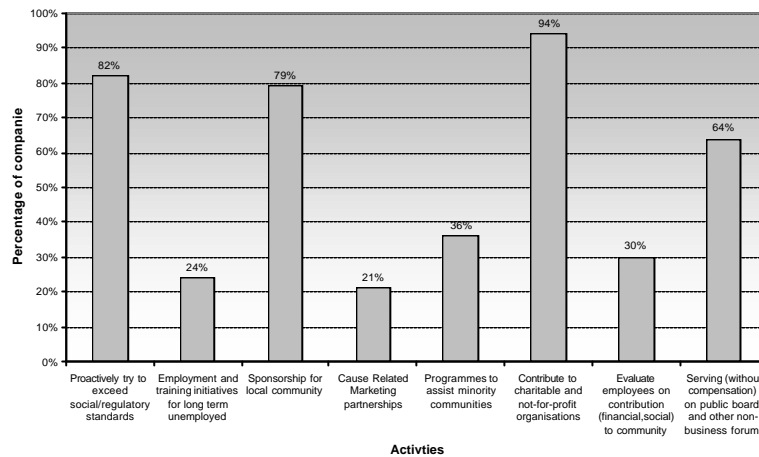


Figure 5. Socially responsible activities carried out by surveyed companies

Nearly half of companies stated that they were involved in CSR schemes/initiatives. Membership of CSR organisations such as Business in the Community was the most common (45%), whilst schemes to help the elderly and youth schemes were less well represented (see fig. 6).

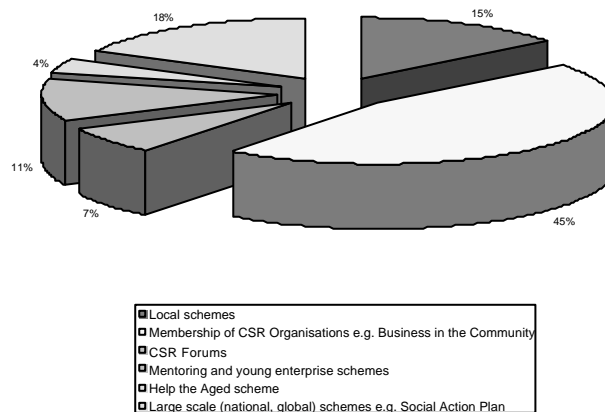


Figure 6. CSR schemes and initiatives that surveyed companies are involved in

The response to the factors that motivate the involvement of companies in social responsibility was varied (see fig. 7). The most important motivating factor was to improve/protect business reputation (77%). Whereas only 40% of companies noted societal expectations as a motivating factor. It is interesting to note that 67% of companies stated that attracting and retaining motivated, high calibre employees was a motivating factor.

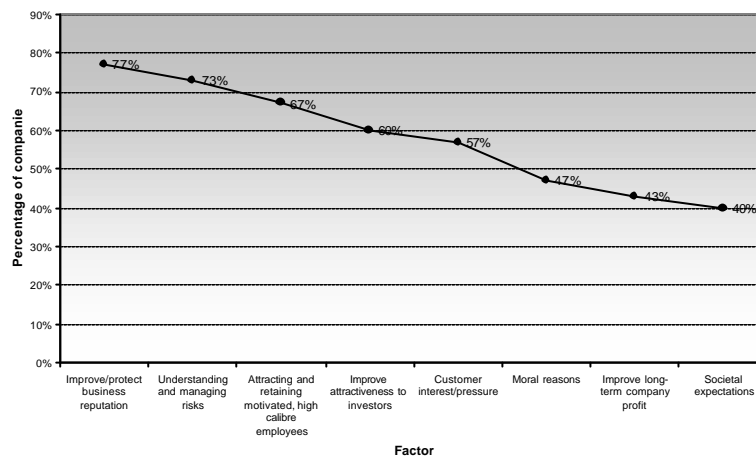


Figure 7. Factors that motivate surveyed companies' involvement in social responsibility

The question what challenges/barriers does your company face in trying to become more socially responsible was an open ended question and prompted the lowest response. However, the response was colourful and pointed to some intriguing problems. Figure 8 illustrates the generic responses given by companies. Some responses were more sector specific and give an interesting insight into the particular problems experienced by different industries.

'Being partly a regulated industry the company requires constant pressure to remain competitive...'

(Utilities)

'There are different issues depending on which aspect of corporate social responsibility is being considered e.g. [a] significant barrier to developing additional renewable energy is in obtaining planning permission for projects.' (Utilities)

'Attitudes to new housing development (NIMBYISM).' (Construction)

'CSR is not a key factor in the customers decision to buy a house- more important are location, cost, quality etc. As a result, the construction industry does not view this as a key priority.' (Construction)



Figure 8. Challenges and barriers for companies assuming the role of social responsibility

Current patterns

A most notable point of concern about the questionnaire survey is the very low response rate. Considering the size of the companies targeted, the accuracy of this targeting⁵, and that the companies were the top 800 companies in the UK a greater response was expected. Companies are often reluctant to fill in questionnaires stating lack of time, and questionnaire surveys do have their methodological drawbacks. In general, questionnaires are difficult to design as the use of closed questions, whilst more efficient for the analysis of data can sometimes preclude a full range of responses from those surveyed. Preconceived assumptions about responses are built into a closed question as the full range of answers can never be anticipated. Where open ended questions are used, responses may elicit confused answers and analysis of

⁵ All companies were phoned prior to sending out the questionnaire to check that all contact details- addresses, names and phone numbers- were correct.

the range and intricacy may lead to interpretation of answers by the data analyst. Several companies sent details of their company's social activities e.g. a social report, instead of responding to the questionnaire. However, perhaps it is reasonable to assume that sustainability and social responsibility are not yet high on the agenda for a significant proportion of large UK companies.

Although all of the companies had an environmental policy and nearly two thirds carried out environmental reporting, only 40% had actually integrated these issues into an Environmental Management System. This suggests that companies are still at the crossroads between recognising the environment, society (and sustainability) as important and reportable issues, and integrating them into business management strategies. It seems that the majority of these companies are placing their responsibility to stakeholders concerned with environment and society on the periphery of their operations, writing and promoting policy documents, rather than embedding it in the core of their business practice.

The incidence of social reporting is lagging only a little behind that of environmental reporting. The environmental agenda and growing trend of environmental disclosure has paved the way for increased transparency in reporting other aspects of companies' operations. However, a strong incidence of social reporting is not necessarily an indicator of social responsibility. Written policies may exist, but can equally be ignored. This study did not probe the kinds of issues that were contained in each company's social report. This specific issue has been addressed by Robertson & Nicholson 1996, who examined the corporate publications of UK firms. Their results suggested that there was a hierarchical model of disclosure on social/environmental issues that included a general rhetoric level, specific endeavour level and implementation and monitoring level. An interesting expansion of our study would be to analyse the social reports of respondents, looking for evidence of these hierarchies and instances of policy being put into practice.

Robertson & Nicholson's 1996 study also showed that all companies tended to recognise the importance of employees as a determinant of company success. Our survey reflects this commitment to employees in that over 60% of companies were members of Investors in People, suggesting an investment in their staff as stakeholders, and over 70% consulted employees in decision making. However, only a tiny proportion of companies provide workplace childcare facilities. As an indicator of social responsibility towards employees, perhaps this suggests that companies are not necessarily putting their policies into practice. Dedicating this kind of resource (easing the burden of juggling family and work commitments) to employees would increase morale and motivation, thus reflecting positively on a company's success.

In summary, the survey carried out by the authors indicates that most socially responsible activities are carried out on the periphery of business activities; donating to charity, sponsorship of local community. Longer term and more time consuming activities, such as employment schemes, and focusing social responsibility inwards e.g. evaluating the social performance of employees are not popular options.

The challenges and barriers companies face when trying to implement social responsibility go some way to explaining this trend. The main barriers are:

- Lack of resources (in this case more time than money) to dedicate to long term schemes
- Lack of top level commitment to lend support to and drive forward new initiatives
- A need for a change in business culture, trying to get social responsibility higher up the business agenda

It is hardly surprising then that the majority of companies go for the 'easy' (and highly visible) options of donating to charity and sponsoring local communities.

As well as the generic responses, many companies gave specific reasons why CSR was a challenge to them. These tended to be sectorally specific, suggesting that one CSR framework to fit all may come unstuck when trying to address the individual problems of each industrial sector.

Drivers

One of the most important questions the survey asked was to determine why companies feel that they need to begin addressing the issue of social responsibility; what drives them to do this? Perhaps surprisingly, the companies that responded saw the expectations of society for them to behave responsibly as the lowest motivating factor. In light of this, do companies really need a 'social contract' to operate? Moral reasons were also at the bottom of the scale, suggesting that ethics do not influence companies' as much as financial considerations. Along with moral reasons and societal expectations, improving long-term company profit was also at the bottom of the motivational scale. Companies do not seem to see much of a financial gain in being socially responsible, despite the insistence of CSR organisations such as Business for Social Responsibility, Business Impact, that there is. Much CSR research has focused on the relationship between company social performance and company financial performance. As yet, no study has conclusively proved a link either way. Until companies can clearly see that there is a positive correlation, it is unlikely that this will be a strong motivational factor. This is unfortunate as it couches social responsibility in the term most readily understood by the business world- money.

Attracting and retaining motivated, high calibre employees was a strong motivating factor. Companies may see the promotion of CSR as a competitive advantage, an edge that they have over competitors in employing a good quality workforce. At the top end of the motivational scale lie protecting/improving business reputation and risk management. It is apparent that companies recognise the importance of promoting a positive, socially responsible image and understanding the risks that may tarnish this image. As noted above, promoting a good socially responsible reputation may attract more high quality job

applicants. Companies are aware of their visibility in the global economy and may feel the need to throw up a veil of protection by espousing their socially responsible principles.

As Frankental (2001) suggests, social responsibility may just be a PR invention. The degree of externality in the CSR activities carried out by respondents and the factors motivating them to do so i.e. to protect their reputation, certainly suggests so. However, the low response to the questionnaire does not make the evidence conclusive. Even with the low level of response from this survey, it is clear that some very interesting patterns are beginning to emerge. As this research develops a clearer picture of social responsibility in UK companies will be developed. Alongside this, the authors hope to develop a deeper understanding of the nature of social responsibility in the SME sector. The following section is intended as a starting point for future research.

SMEs and social responsibility

The SENVA project

The ERDF funded Supplier Environmental Assessment (SENVA) project was carried out between January 1999 and December 2001. Assessing the environmental performance of suppliers has resource and financial implications, as does responding to the environmental agenda of customers. To overcome these problems, SENVA provided a free service to both customers and suppliers in South Wales. A free environmental assessment was carried out on the supplier's site and, in some cases, on the customer's site. This involved a visit of several hours to each site followed by a detailed report sent to each company. The SENVA team carried out over 100 such visits. The discussion below is based on 67 reports. During this time a large proportion were undergoing or had recently undergone managerial changes, buy-outs and employee lay off; leading to the impression that the SME sector was in an insecure period at this time. A sectoral breakdown reveals the diversity of companies visited. The size of the companies ranged from 2 employees to 180. A large amount of information was gathered during each visit, mainly relating to SMEs attitudes to the environment. Some thoughts on SMEs relationships with society are extrapolated

and some general observations are made about the companies visited and the challenges and barriers faced in integrating 'new ideas' into everyday business practices.

The SME sector has struggled to come to terms with the myriad of environmental laws and regulations that they must face. There is a general lack of resources, difficulty in receiving relevant information and keeping up to date with the many changes. This has led many companies to respond reactively rather than proactively to the challenge. SMEs tend to see responding to these issues as a chore and a barrier to staying profitable rather than a challenge with a potentially positive outcome.

Of the companies visited only 36% had a written environmental policy and only 2% had an accredited Environmental Management System in place. A further 19% were considering or in the process of implementing ISO14001. Sectorally, those involved in the chemicals industry were the most advanced in environmental terms, whilst those involved in the food and catering sector were slow to take up these issues. Very few of the companies visited were carrying out activities traditionally associated with social responsibility.

Those companies most committed to environmental improvement had several commonalities. Commitment from top level management was strong in each company, with several managing directors taking a lead role in driving forward change. There was commitment to employing dedicated environmental staff e.g. an environmental manager and good strategic management with strong hierarchical systems. These companies tended to equate good environmental management with good management and saw an advantage in being proactive. These companies also tended to be interested in the idea of Integrated Management Systems.

In those companies where environmental protection was not given high consideration, top level commitment was often limited. In several companies, there was good commitment from middle management but a lack of support from above constrained the ability to initiate change and move

programmes forward. Some of the smaller companies do not have any kind of strategic management, thus integrating environmental or social concerns into everyday business practice is very difficult.

A common problem for all companies is a lack of resources- time, money and people- to devote to behaving responsibly towards the environment or society. For very small companies the need to stay afloat is all consuming, leaving few resources for anything else. The companies visited also expressed difficulty in finding the relevant information about laws and regulations. There was a general lack of environmental literacy amongst these companies. Those companies that were carrying out environmentally responsible practices were not able to advertise this and gain the full benefits due to a lack of visibility.

The above comments relate mainly to the companies' environmental performance, however, when visiting these companies several issues relating to social responsibility and the companies' relationship with stakeholders became apparent. These issues begin to provide an understanding of why social responsibility is less well developed in the SME, and what factors may promote a greater appreciation of the concepts surrounding CSR. Although these SMEs are directly connected to the locality in which they are situated, usually employing local people, they can at times be completely invisible to the local community. The average size of companies is under 30 employees, these companies being scattered over the whole of the South Wales region. Many are situated on industrial estates that most people would be unaware of. Even those companies on large, highly visible estates are often overshadowed by larger, well known companies on those estates.

A very important aspect that became apparent is that almost a third of all companies had experienced some form of security problem. These ranged from trespass, children making a nuisance to illegal dumping, break-ins, fires and theft, especially from skips. The majority of these problems were caused by local people, leading to a climate of distrust. Companies are unlikely to engage with the local community under these circumstances. On the other hand, proactively searching for a solution to these problems may

draw companies to work together to engage the local community, rather than continue adversarial relationships.

Most of these companies supply to larger customer companies. Thus, they do not have a customer base made up of the general public and are invisible to them. Also, the majority of these companies are family run or owner-managed and so do not have shareholders and investors to consider. This isolation from several groups of stakeholders means that the companies may feel no connection with society, and that society at large feels no connection with them. In this climate, it is hardly surprising that being 'socially responsible' is not on the agenda for most of these companies, and is unlikely to be in the future. However, those companies that are open to change, have put in place the mechanisms to enable change, and those who have progressed furthest with environmental protection, may well begin to embrace the concept.

A particular example of two small chemical companies, both supplying to the same customer and both situated on the site of this customer stands out. Both companies had strong top level management commitment, both were considering implementing ISO14001, both had good strategic management and strong communication throughout the company. Both received pressure from their customer to improve and communicate their environmental performance, which led to a stronger awareness of environmental issues. Such companies as these, that performed well environmentally and had a positive attitude to integrated management, did so under the guidance (and perhaps under pressure from) their larger customer companies. Pressure from customer companies can be a catalyst for change, support and guidance can make the process easier for SMEs. In the social responsibility sphere, large companies also have the influence to lead the way for SMEs.

The lack of visibility of SMEs has been discussed above. A good example of where visibility has led to and SME taking CSR and co-operation with stakeholders on board is the case of a small, heavy manufacturing company located in the Sirhowy Valley area of South Wales. It also illustrates the difficult

relationship between business and society, and the problems that can arise when a company does not follow through its initial promise. The company, a heavy polluter, is situated at the bottom of a valley adjacent to a river, and is highly visible to local people in the residential area above the site. The company has had a history of pollution incidents, dating back to the late 1960s, and a poor relationship with its neighbours. However, in recent years the company has made some positive steps to reduce its impact on the environment and the surrounding community. These include completing an environmental review, employing a dedicated environmental personnel, investing in the site to improve its appearance and reduce the threat of pollution, and most notably setting up a local liaison committee to tackle issues arising between the company and local residents.

A recent serious pollution problem caused a flood of complaints and threatened to damage local relations. Residents were angry that the company had hitherto been more open with them and started to build a positive relationship, only to break several promises. The company's tight-lipped reaction to the pollution incident did nothing to dispel residents' fears, angering them further. After agreeing to participate in a liaison committee the company failed to attend a meeting. Residents are unhappy that the company is situated nearby but will accept it if the company is seen to behave in an appropriate 'socially acceptable' manner. However, this particular incident caused widespread disillusionment and a breakdown of the 'social contract' or 'licence to operate' between the company and the community.

Several difficulties are evident here. The company continued to operate during the pollution incident to meet production targets, residents were aware of this. Maintaining profit came before maintaining an acceptable relationship with the community. The company displayed a lack of transparency and managerial commitment when a real problem arose. Thus, the company's failure to act responsibly, and to communicate with the local people has led to a lowering of the acceptance of their activities and considerable damage to their reputation. Their geographical location and high visibility are crucial factors.

Tilley (2000), argues that small firms do not operate in isolation- that they are influenced and affected by the value systems of the individuals and organisations in their supply chain, their immediate stakeholder network and more distant societal networks. However, Spence (1999) argues that small firms are actually very independent of these spheres of influence. Our research places itself somewhere in between. As discussed above, many of the small companies are disassociated from a variety of stakeholders, making them unlikely to embrace social responsibility. A lack of visibility (thus damage to reputation being not such an important issue) and a distrust of the local community compound this. However, for some SMEs (as the case study above illustrates) visibility has led to the need to engage the local community. On the other hand, these companies were quite strongly influenced by their supply chain, especially their larger customer companies. This had caused some of the companies visited to improve their environmental performance, whilst others perceived that the pressure from customer companies would soon begin to increase. Perhaps pressure from customers to improve social performance and account for it will soon begin to influence the SME sector.

The main barrier to improving environmental performance was related to attitude. Many companies could not perceive how they affected the environment or how they could have any influence over improving it. The role of business is business, and nothing else. They relied on legislation to guide their environmental responsibility (though a significant proportion were carrying out activities that would be in non-compliance with legislation), and were on the whole reactive. This is a response that characterises a large proportion of the SME sector. However, several of the companies visited were more proactive. One company, for instance, was working with a supplier to develop a solvent free paint system to use in its operations and reduce VOC emissions. Several companies had implemented, or were in the process of implementing ISO14001. This suggests that SMEs do have the capacity to react positively to a changing paradigm of business practice. The proactive companies were no larger, no less pushed for time and money, no less struggling for survival than others were. A positive attitude, openness to change, and flexibility were key factors in these companies.

However, as Tilley (2000) succinctly puts it- most small companies are seeking a code of conduct to govern their environmental conduct, rather than a new perception of the role and structure of business organisations in society today. The concept of CSR has yet to hit SMEs in a significant way. Whilst it is evident that some companies recognise their responsibility to the environment as a stakeholder, a wider recognition is not apparent. The resistance to change in many of the SMEs visited was palpable.

Conclusions

Most academics, CSR organisations and government agencies agree that CSR is well and truly on the agenda in the business world. However, the limited response to our survey suggests that for many UK companies this may not be the case. Given the opportunity to promote their socially responsible credentials, most companies have so far declined. For this reason, comments made in this section cannot be taken as conclusive. Similarly, the evidence from the SME sector is drawn from companies' response to one stakeholder only. Although we can assume that observations can be applied in a wider sphere, the comments made cannot be taken as conclusive.

Both large companies and SMEs face similar struggles in embracing social responsibility, the lack of time and resources, poor levels of top level commitment and cultural change problems. However, barriers that can easily be overcome in large companies may seem insurmountable to the typical SME. Whilst large companies are beginning to accept the changing business climate, moving towards the triple bottom line, SMEs are more resistant to change (often through lack of knowledge), in many cases sticking resolutely to the single bottom line. Finding a new way to operate in a socially responsible manner may not be easy for the average SME.

If we accept that Carroll's four-part definition of CSR encompasses the spectrum of socially responsible activities that companies can embrace (economic, legal, ethical and voluntary), where do the companies in our survey and the SMEs visited fit along this spectrum? All companies realise their economic responsibility, a large proportion of SMEs still define themselves along single-bottom-line (economic)

terms. Whilst most of the large companies have moved past this marker, now progressing towards the triple bottom line of economy, environment and society, many of the SMEs are struggling to accept this new paradigm of business operation.

Both large and small companies should fulfil their legal obligation to society, complying with the laws and regulations set down. However, whilst most large companies would see this as an inevitable part of operating with a significant proportion actively trying to exceed regulatory standards, the typical small company in this study is still struggling to come to terms with the necessity of compliance. Some companies visited did not even comply with all the legalities related to them. Many of the companies had difficulty in keeping up with changes in their legal obligations. This leaves them somewhat behind in facing the changes active in the business world.

Small business is generally motivated to undertake responsible behaviour from the shallow ecology perspective that it is good business practice. The SENVA project encouraged companies to improve environmental performance from cost savings or improved efficiency perspective. However, when the cost of carrying out socially responsible activities outweighs the financial gain (as it often will with the resource constraints on SMEs) the SME sector will find itself without an ethical stance by which to guide its behaviour. Small business ethics has recently entered the research agenda (Vyakarnam *et al.* 1997, Spence 1999, 2000, Tilley 2000), but is still in the embryonic stages of development. More research is needed to develop guiding principles for SMEs to become more socially responsible. This study showed that even large companies do not place moral/ethical considerations high on the motivational agenda, preferring to be motivated by reputation concerns. However, it seems that these companies do recognise the importance of ethical concerns in their environmental and social reporting; it is allowing these concerns to motivate the companies' behaviour i.e. putting policy into practice that may prove more difficult.

It is more difficult to define the presence of voluntary CSR. Although the large companies did carry out activities that go beyond ethical duties, such as charitable donation, these are relatively easy and do not require a company to be guided by strong principles and values. Carrying out activities that may right some social wrongs, such as employing the long-term unemployed, were not popular. There was no evidence of voluntary CSE in the SMEs; however, where environmental performance was good it was often driven by the personal values and commitment of the owner-manager. This suggests that voluntary CSR could be carried out in SMEs more easily as the strong example and guidance of the leadership can readily convey socially responsible principles.

The authors have shown the presence of the different types of CSR in large companies and SMEs. However, it has not been possible to show the extent to which these assumed responsibilities have been incorporated into management strategies. It is suggested that for many companies the main reason for carrying out socially responsible activities is to protect the reputation of the business i.e. CSR is a public relations exercise not a new paradigm of business operation. This places CSR at the periphery of a companies' activities, to draw it more to the centre is essential for its integration into management strategies. The question of how to ease the process of doing this has recently been placed on the agenda.

External organisations and governments could become involved in promoting the integration of CSR. The UK government has signalled its commitment to CSR by appointing the minister for CSR, currently Douglas Alexander. The European Union is in the process of developing a framework for the promotion of CSR, in which the importance of a partnership approach, incorporating a whole range of CSR related organisations, is highlighted. The UK business community is now served by a variety of organisations⁶ which offer practical advice and guidance on the implementation of CSR related activities. Unfortunately, the SME sector is substantially underrepresented by these organisations (GoodCorporation 2002), leaving those most in need of support behind. Internally, it is suggested that future research needs to concentrate

⁶ Some of which include Business Impact, CSREurope, Business in the Community, Business for Social Responsibility, The Industrial Society, International Business Leaders Forum (IBLF), SustainAbility, AccountAbility, WorldCSR, GoodCorporation

on finding conclusive evidence that good social performance leads to financial gain, in order to motivate companies to take social responsibility into the centre of their operations. This research needs to be both large-scale and long-term. Frankental (2001) makes some suggestions as to how CSR can move from a PR invention to a fully integrated concept. These include:

- Reinforcing changes in company law relating to governance
- Rewarding CSR by financial markets
- Defining CSR in relation to the goals of environmental and social sustainability
- Benchmarking and auditing its implementation
- Embedding CSR across the organisation both horizontally and vertically.

For SMEs, making these changes is more difficult. The guidance and advice of those large companies already embarking on fully embracing social responsibility may be essential to them.

Much further research is needed to investigate the role of social responsibility in the SME. This paper has set a foundation for this work to continue. It is intended that many of the SMEs forming the basis of the authors research will be revisited in the near future to look specifically at CSR related issues. The response to the questionnaire survey is still in an early stage; further results will clarify the picture on CSR in UK companies, why they are motivated to embrace the concept, and what challenges and barriers they face in the process.

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