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Small Business Champions for Corporate Social Responsibility

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ABSTRACT. While Corporate Social Responsibility (CSR) has traditionally been the domain of the corporate sector, recognition of the growing significance of the Small and Medium Sized Enterprise (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 received less attention in this area. This paper presents the findings from a U.K. wide study of socially responsible SMEs. The 24 companies studied were chosen as ''exemplars'' of CSR in SMEs. The aim of this study therefore is to progress understanding of both the limitations on and opportunities for CSR in SMEs through the exploration of exemplary characteristics in the study companies. Key areas of investigation were CSR terminology, the influence of managerial values, the nature of SME CSR activities, motivation for and benefits from engaging in CSR, and the challenges faced. The results of this study demonstrate some of the exemplary goals and principles needed to achieve social responsibility in SMEs, and begin to provide knowledge that could be used to engender learning in other SMEs. In particular, there is evidence that stakeholder theory may provide a framework in which SMEs and CSR can be understood. SMEs prefer to learn through networking and from their peers, so this is a possible avenue for greater SME engagement in CSR. This would require strong leadership or ''championing'' from individuals such as highly motivated owner–managers and from exemplary companies as a whole.

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KEY WORDS: champions, case studies, corporate social responsibility, small and medium sized enterprises, stakeholder theory

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 roles previously occupied by the public sector, such as supporting education and becoming involved in the governance of communities (Curran et al., 2000). CSR has traditionally been associated with large companies, but recognition of the growing significance of the SME sector[1] (Fuller, 2003; UNIDO, 2002) has led to an emphasis on their social and environmental impact.[2] Yet 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, 2004a). 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.

Two key arguments in favour of CSR are that the power and resources of large companies produces a responsibility to use that power and develop those resources responsibly; and that it is in companies' self-interest to behave ethically and responsibly, otherwise issues of corporate image can lead to damage to the companies' share price and reputation with stakeholders. Both of these are either explicitly or implicitly geared to large companies. However, while SMEs rarely attract national media attention and may not have a significant impact individually (Spence et al., 2003) they constitute a significant part of the U.K. and European economy and society. For example, at the start of 2004 SMEs accounted for 99.9% of all U.K. enterprise and more than half of employment and turnover.[3] Given the significant scale of small business in nearly every economy, their aggregate achievements have a major effect worldwide. Researchers are now also recognising the importance of business ethics and social responsibility as they apply to small firms (see Jenkins, 2004a; Quinn, 1997; Spence, 1999; Spence and Rutherfoord, 2000; Spence and Schmidpeter, 2003; Spence et al., 2003; Tilley, 2000; Vyakarnam et al., 1997).

This paper builds on the small but growing body of research on ethically responsible behaviour in SMEs, and presents the findings from a U.K. wide study of socially responsible SMEs. The study takes a "bottom-up" approach, and explores CSR initiatives and practices from the perspective of SME owner–managers. Whilst a number of studies based on what SME owner–managers think about CSR exist (DTI, 2001, 2002; EC and Observatory of European SMEs, 2002; EU, 2004; Grant Thornton, 2002; Irwin, 2002; Joseph, 2000; MORI, 2000), the companies studied here were chosen as "exemplars" of CSR in SMEs. The aim of this study is to progress understanding of both the limitations on, and opportunities for, CSR in SMEs through the exploration of exemplary characteristics in the study companies. An exemplar may be variously described as something or someone to be copied, or who is perceived as ideal or in some way commendable. The companies in this study are champions of CSR, both in the sense that they drive best practice through their own companies and that their experiences can be used to champion CSR to other SMEs. The discussion focuses on the results of this study in the context of four key steps that could be taken to champion CSR in an SME. The long-term aim of the study is to seek ways of transferring exemplary knowledge throughout the SME sector, to build a model of CSR practice suitable for SMEs and to start to develop a theoretical framework within which SMEs and CSR could be best understood.

Small and medium sized enterprises and corporate social responsibility

From what is known about the characteristics of SMEs how might CSR emerge as a process in them? A common assumption made about the SME sector is that it is homogeneous, the defining characteristic explaining its behaviour being size (Wilkinson, 1999). 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 lack formal management structures with specialised staff. These characteristics vary widely depending on individual personalities and differing ownership structures, and will influence the company's approach to CSR. The most common form of SME is the owner-managed firm where ownership and control lie with the same person. This lends legitimacy to the personal decisions made on how to use company resources, such as on CSR related schemes, and allows a degree of autonomy in how CSR is approached.

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 and Scheibl, 2001). But, SMEs can also "be very adaptive, swiftly adjusting their trading capacities according to changing market opportunities" (Goffee and Scase, 1995, p. 18). This flexibility means that they can respond quickly to changing circumstances; SMEs may be able to rapidly take advantage of new niche markets for

products and services that incorporate social and/or environmental benefits in their value.

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 notion of the profit-maximising, rational economic entrepreneur as the standard image of the small business owner–manager is likely to be false (Spence and Rutherfoord, 2000).

Evidence suggests that the majority of SMEs believe that organisations like themselves should pay significant attention to their social and environmental responsibilities (Southwell, 2004). Recent trends show that there is some growth in the engagement of SMEs in the CSR agenda (DTI, 2001, 2002; EC and Observatory of European SMEs, 2002; EU, 2004; Grant Thornton, 2002; Irwin, 2002; Joseph, 2000; MORI, 2000). The CSR agenda may not be a business threat and cost burden to SMEs, rather it could provide significant scope for competitive advantage (Tilley et al., 2003). 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 (Jenkins, 2004a). 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. Another way of looking at this is that it is precisely because of a desire to protect a personal ethic that some small firms are simply content to survive. Graafland et al. (2003) suggest that the most popular instrument for organising CSR used by SMEs is to let one member of the board be answerable to ethical questions, and they are less inclined to use formal instruments (such as codes of conduct) to foster ethical behaviour within the organisation.

Stakeholder theory is an important element of research in the field of CSR. There is an inherent acceptance that all businesses have stakeholders, and that managing them appropriately can help reduce risk and improve all companies' social responsibility (European Commission and Observatory of European SMEs, 2002; Irwin, 2002). However, stakeholder research has tended to focus on the ''corporation'' or large company. Whilst the nature of stakeholder relationships for SMEs may not be drastically different, the management of such relationships is likely to be (Jenkins, 2004a). Cultural differences between large and small companies may influence managerial practices (Gibb, 2000) with regards to stakeholder engagement and management. Stakeholder relationships for an SME may be based on a more informal, trusting basis and characterised by intuitive and personal engagement with less of a gap between the relative power and influence of company and stakeholder; whilst large companies are far more likely to engage in carefully planned, formal strategic stakeholder management with the majority of power to dictate outcomes lying with them (Jenkins, 2004a). How they manage key stakeholder relationships is likely to influence the way SMEs approach CSR.

Spence and Rutherfoord (2000) propose four ''frames'' of perceiving the social perspectives of the small business – profit maximisation priority, subsistence priority, enlightened self-interest and social priority (see Table I). They suggest that the reasons for being in business and running a firm are far more complex, and socially motivated, than purely financial reasons and state that this diversity of viewpoints needs to be considered if policy makers and support organisations are to influence the ethics of small businesses and engage them in CSR.

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. SMEs are often portrayed badly in relation to such basic responsibilities (Bacon et al., 1996; Gibb, 2000; Hillary, 2000). However, as this paper demonstrates, this is not necessarily the case, and there are companies in the U.K. who have decided to embrace the concepts of CSR and sustainability and who exemplify good practice.

TABLE I

The four social perspective "frames" of SMEs (adapted from Spence and Rutherfoord, 2000)

SME social perspective frames	Description
Profit maximisation priority	The drive for maximising profit is the company's top priority
Subsistence priority	Long-term survival through ensuring security of livelihood; maintenance of a certain standard of living
Enlightened self-interest priority	Active in social issues with the conscious awareness of the positive influence that the owner–manager perceives this will have on their business
Social priority	Social values and actions are integrated into the business life and take priority over maximising profit

Business champions

CSR practices can often take a great leap forward when championed by a senior manager. In SMEs this would commonly be the managing director or owner–manager. Peters and Waterman (quoted in Gray and Smeltzer, 1989, p. 66) refer to champions as "individuals within the organisation who pioneer new products or concepts and are given the freedom to try out these ideas". SME managing directors/owner–managers need to show strong leadership if they are to champion CSR in their company. They are helped by their relative freedom in being able to set the agenda, values and principles for their company; however, leadership must be effective if these values are to be pushed throughout the organisation. There are several "Business Champions" schemes currently running in the U.K. whereby a range of people with a variety of business experience give their time and support to other businesses, though they do not specifically champion CSR.[4] Business in the Community also uses business champions as a means of promoting their CommunityMark scheme.[5]

Methodology

This paper is based on qualitative data derived from in-depth, semi-structured interviews with 24 U.K. SMEs. The study used a collective case study approach, which investigated, through detailed discussions with SMEs, how SMEs responded to the CSR agenda, and highlighted current good practice. 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. The interviews were conducted with the managing directors (MD) or owner–managers of the companies, and environmental and communications managers where the MD was not available.

Exemplary companies with a proven track record in CSR related activities such as community initiatives, environmental management and employee related initiatives were selected from a search for award winning companies, or companies whose activities had been highlighted as best practice (see Table II).

Interviews were analysed by drawing out a number of key themes and comparing the interviewee responses. The data was analysed in three ways; as a whole group, by industrial sector and by size. Although the research was not intended to be industry specific, analysis by sector and size does allow some comparisons to be made where they are relevant. Quotes are used to illustrate key research findings. There is inevitably a bias in the sample of companies, as rather than being selected at random

TABLE II

Types of awards that companies had won or been short listed for

9 companies had won an award for environmental excellence
4 companies had won a sustainability award
2 companies had won a training and development award
6 companies had won a work-life balance award
2 companies had won a reporting award
15 companies had won an impact on community award
2 companies had won a CSR award
14 companies had won a product or service related award

they were selected on the basis of their award winning or best practice status. The bias is deliberate as the research is intended to investigate individual instances of good practice, which can be built 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'' for CSR.

The geographic coverage of the study was largely determined by the locations that the award-winning companies happened to occupy, but in practice this resulted in a good spread of companies throughout the U.K. as demonstrated in Figure 1. Forty-three companies were approached to take part in the research, 19 declined to participate. The definition of SME size itself has proved 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 25–120 employees.[6] This excludes the most common form of small company, the micro firm (0–9 employees), and many small companies; it includes more medium-sized enterprises, which are in the minority. This will affect the generalisability of the study, however many of the lessons learned are equally applicable to micro and small companies and to much larger companies.

Of all the companies 23 were owner-managed; one was run by a managing director who was given almost complete autonomy by the owners. Five companies were family-run businesses and only one company had shareholders outside the company, where 3% of the company was owned by a venture capital company who had no involvement in the running of the company. Several companies offered some share options to their employees. The majority of companies' customers were other companies, mainly larger companies. Several undertook government and council contracts, but only four dealt with the public as consumers, and this was only a small part of their work.

Key areas of investigation were CSR terminology, the nature of SME CSR activities, motivation for and benefits from engaging in CSR, advertising and marketing CSR, the challenges of CSR, CSR support for SMEs and the influence of managerial values. These are discussed in turn with companies analysed as one group, however where sectoral or size differences were observed they are highlighted.

CSR terminology

Although some companies expressed difficulty in understanding the concept of CSR, all could define what it meant specifically in the context of their company. CSR was seen as an ''all embracing'' idea that concerns having an awareness of the impacts of the business, and wanting to have a positive impact on a wide range of stakeholders through the business decisions that are made. While the term

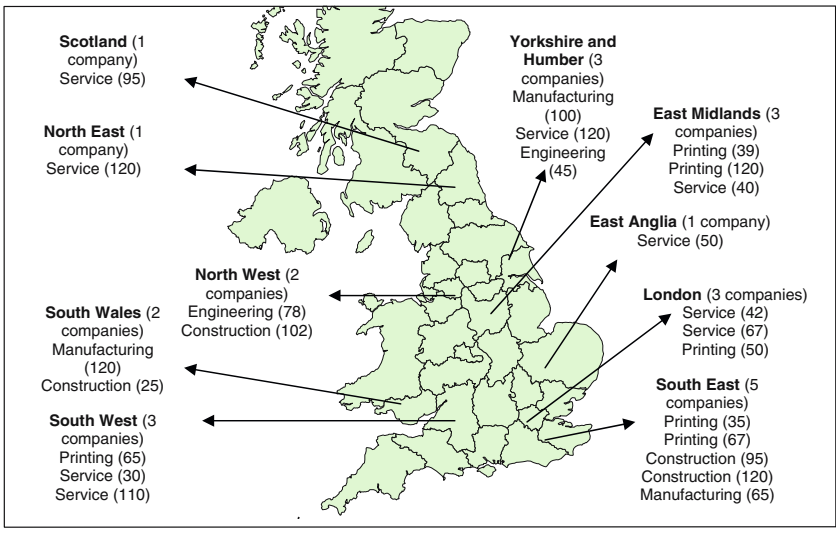

Figure 1. The Industrial sector, geographic region and size of each company in the study.

stakeholder was not used explicitly by all companies, it was implied in every description of CSR. Key stakeholders were employees, customers and suppliers, shareholders, the community and the environment.

1. ''I would say that we have a responsibility to all our stakeholders, which includes our employees, our customers, our suppliers, our lenders and so on and also the local community.'' [Manufacturing, Yorkshire and Humber, 100 employees].
2. ''...how we treat our people', our employees ... 'how we deal with the environment' ... 'how we interface with the community'...'' [Printing, East Midlands, 39 employees].

Several common themes emerged while discussing CSR as a concept. CSR must not be an externality, but should be incorporated and integrated into every element of the business. CSR is about ''putting something back'' above and beyond what is owed to shareholders and providing employment and CSR is synonymous with sustainability, defined as balancing social, economic and environmental demands.

3. ''What it does mean is making social responsibility at the core of everything you do...looks at everything from a responsible, ethical point of view or whether it just is an add on to make it look good in the market...'' [Service, London, 42 employees].
4. ''Some of it was just pure payback; we feel we have a responsibility...'' [Service, East Anglia, 50 employees].
5. ''...it's looking at sustainability really, looking at environmental issues and also economic and social areas as well in all the spheres...'' [Printing, East Midlands, 120 employees].

CSR is about having an ethos and values as a company; such principles are frequently expressed in the company vision or goals, which often reflect the given definition of CSR. Companies with 100–120 employees gave the most all embracing definitions of CSR and were more likely to have closely aligned their understanding of CSR with the company's vision and goals. Emotive language was often used when defining CSR; terms such as ''right thing to do'', and words such as pride, caring, commitment, honesty, encouraging, good.

6. ''The ethos of the firm is to ensure all of our people are encouraged to be conscious of the needs of the wider community and play our part in addressing those needs.'' [Service, North East, 120 employees].

Companies did not commonly use the term CSR in-house to describe their activities, usually defining it informally and breaking it down to its component parts such as environmental management, community involvement, work-life balance; though CSR was used when talking externally e.g., making a presentation. Employees were generally aware of the meaning of the term, but again did not ordinarily use it. While all of the companies had been practising CSR for some years, most had only become aware that their actions could be termed CSR in the last year or two. A total of 17 companies were uncomfortable with the use of the term CSR for SMEs.

7. ''... the way that the language is pitched is that CSR is mainly perceived as a government and global business term, and involvement.... SMEs are ... ignored at those levels on CSR.'' [Printing, East Midlands, 120 employees].

Companies felt that the term can be difficult to understand, simpler words are needed as it is seen as ''jargon''. Seven companies did not like the use of the word ''corporate'' as they felt it did not apply to them as SMEs, and it implied that CSR is only for large companies. CSR for SMEs should focus less on policies, procedures and external elements and more on the practicalities of internal elements of CSR.

CSR activities

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 they also recognised the importance of other responsibilities. Key stakeholders that companies engaged with were

the environment, employees, community and the supply chain, the relative importance of whom varied from company to company. Shareholders were mentioned as a key stakeholder, but were not referred to in relation to CSR activities.

For some companies, environmental management is a key part of CSR, for others employees, the community or customers form the central part of their activities. The sector of the company influenced where CSR efforts were targeted, and reflected the company's greatest level of impact; printing, manufacturing and engineering companies tended to focus more on environmental aspects, service and construction companies concentrated more on employment and community aspects. Table III illustrates numerous examples of the CSR activities undertaken by companies in the study; customers and suppliers are dealt with together.

The companies in the study showed innovative qualities by developing products and services that incorporated social and/or environmental benefits. CSR activities in this category are market-driven while at the same time addressing important societal conditions (Kramer et al., 2005) such as environmental protection, sustainability, education and ethics. Such products and services are often too specialised to attract large, global companies, and therefore appear to offer attractive opportunities for SMEs. Examples of such innovations include:

- The construction company developing and promoting sustainable timber construction.
- The printing company that developed a special environmental printing route which customers can choose.
- The publishing company that publishes travel guides that highlight culturally and ethically aware tourism.
- The IT training company where 45% of the company's clients are charities, 30% are other not for profits.
- The company that recycles waste toner cartridges and mobile phones. From its inception the company has had environmental education as one of its key goals – educating the public about the reuse potential of commonly used products such as mobile phones and the benefits of limiting natural resource use.
- The property development company intent on stimulating broader regeneration of our urban communities.

A common form of CSR is philanthropy, or voluntary contributions of company resources such as charitable donations or sponsorship of a local sports team. All of the companies engaged in philanthropic CSR to some extent, but felt that the benefits of such activities for the company were limited and difficult to measure.

Voluntary activities need not be limited to activities that are unrelated to the business. Companies may also target such activities in a more competitive way by focusing on issues that affect the underlying drivers of competitiveness in locations where they operate, for example targeting the future workforce by engaging with local schools in areas where skilled labour is limited.

Although few companies actually used the term "stakeholders" in the company and explicitly set about to identify key stakeholders and prioritise their relative importance, those that did found that it helped them recognise where the focus and emphasis of the company should be and to develop strategic relationships with important stakeholders, which in turn informed the focus of their CSR strategies. The companies' CSR approaches were all at different stages of strategic development from a completely *ad hoc* approach to all CSR activities, to the development of a CSR strategy.

It was most common for companies to have a strategic approach to environmental management, through ISO14001 accreditation (eight companies) or EMAS (three companies), and to staff development through holding the Investors in People standard (15 companies). This also ensures a certain amount of external verification of systems and programmes as these standards must be periodically audited. Community activities tended to be carried out on a more *ad hoc* basis e.g. "someone rings up and asks us for something". Examples of more strategic approaches to community involvement were being awarded the CommunityMark by Business in the Community (five companies) and joining education–business partnerships. Printing, manufacturing and engineering firms were more likely to have a strategic approach to environ-

TABLE III

A portrait of CSR activities in U.K. SMEs

Environmental
ISO14001
Waste minimisation, re-use and recycling schemes
Reduction in use of harmful chemicals
Reduction in atmospheric emissions
Use energy from renewable sources
Membership of environmental organisations
Investment in new technology
Environmental reporting
Award winning environmental schemes
Employees
Investors in people
Flat management structures
Creation of good work-life balance and family friendly employment
Employee newsletters
Social events for staff
Employees sent to developing countries to undertake community projects
Award winning training and development programmes for employees
Employment of older and disabled people
One to one mentoring of employees
360° appraisal schemes
Supply chain/business to business
Open house policy for customers, suppliers and competitors to look around
Directors of business associations
Seeking to develop long-term partnerships with customers and suppliers
Supplier learning schemes
Measurement of key performance indicators and feedback to staff, customers and suppliers
Winners of industry awards e.g., world class manufacturing or service industry excellence
Support and encouragement for suppliers to become more socially responsible
Take part in industry best practice programmes
Inside U.K. enterprise scheme
ISO9001 Quality standard
Community/society
Work with local schools on projects e.g., working with children with learning difficulties
Donate percentage of profits to charity
Supporting local homeless people
Sponsorship of local sports teams
Involvement in awards schemes for young people
Time banks for employees to work in the community
Social auditing
Employ people from the local community
Working on community projects in developing countries
Work experience placements
Award winning community engagement programmes

mental management, while service firms were more likely to have a CSR programme. Companies with 100–120 employees were more likely to have developed a CSR policy and programme, but there was also evidence of this in smaller companies.

Benefits and challenges of CSR

While all companies realised business benefits from CSR (see Table IV) this was not the reason they did it. The majority used moral and ethical arguments to justify why CSR was important to them. Companies spoke of it being the ''right thing to do'', pride, feeling good, ''everybody has a responsibility to do what they can'', self-worth, integrity, well-being and satisfaction.

8. ''I'm personally much more motivated. The setting up of a company is interesting and exciting but this added dimension makes it much more deeply motivating for me..... it feels good, we're all centred around a common objective and I think people in the company are beginning to be quite proud of what we're doing...'' [Service, South West, 30 employees].

Some benefits were quantifiable, however, most were called ''soft'' or ''intangible'' benefits either because they were unmeasurable e.g., improved image, or cause and effect could not be proved absolutely e.g., reduced employee absenteeism. Indeed, the nature of soft benefits contributes to one of the biggest challenges that SMEs faced when addressing CSR issues – proving it. Only three companies reported on any aspect of their CSR and none reported annually. Companies cited measuring and quantifying CSR as a big challenge, but recognised the need to do this if their approach to CSR was to become more systematic.

TABLE IV

The benefits of CSR

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

The key CSR challenges that all companies faced, regardless of sector or size, were time and resource constraints and getting employees involved. Others included embedding a CSR culture in the company, measuring and quantifying the benefits of CSR, making connections with the community, a lack of information or support and maintaining the momentum of activities. However, not all companies saw these difficulties as barriers to CSR; companies with 100–120 employees were less likely to be put off by any challenges.

Pressure

Interviewee responses suggested that internal drive rather than external pressure was their main motivation for CSR. Some external pressure was applied down the supply chain from customers and from legislation, but this was weak and focussed mainly on environmental rather than social credentials. Indeed, many companies were somewhat cynical of being asked to demonstrate their CSR credentials by customer companies as it was perceived that they only did so as part of a particular system not through any CSR of their own i.e., a ''box-ticking exercise'' and that customer companies should improve their CSR before asking SMEs to demonstrate their own.

9. ''...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...'' [Engineering, North West, 78].
10. ''Oh, we play the game...they'll want to see your environmental policies; they'll want to see your waste-management policy... Not usually community stuff... but provided you send them the right piece of paper, with the right things written on it, you never hear another word ....and whether anyone reads it, I'm not sure. I doubt it, actually.'' [Construction, South East, 120 employees].

Promoting, encouraging and supporting CSR

Companies were at different stages of marketing and promoting their CSR credentials. While some

companies had a marketing strategy and used PR companies to publicise their CSR, others simply noted awards they had won or standards gained in company literature and on their websites. However, many companies were uncomfortable with the idea of promoting their CSR activities. It was seen as a ''big business'' thing to do and there was a belief that many large companies only undertake CSR for the PR benefits. Companies did not feel comfortable with ''boasting'' about the social aspects of their CSR activities as they were undertaken for moral reasons and not business reasons. Small firms were unlikely to employ individuals in marketing or PR roles and therefore were not likely to consciously pursue goodwill from their CSR activities for commercial exploitation.

11. ''I personally feel a bit difficult about marketing what you're doing with the local community, because the whole reason why we do it is not as a marketing exercise... I see the environment as something we can market and the rest that's not environment, it's something that we feel a warm, fuzzy feeling but we don't actively market that element.'' [Printing, South East, 35 employees].

While there was some discomfort with the idea of marketing CSR and seeing it as something to gain from, most companies were very happy to promote the CSR agenda and encourage others to become more socially and environmentally responsible; this was done in a variety of ways – by gentle encouragement, exerting direct pressure up and down the supply chain, acting as a best practice case study and giving external CSR related presentations, and providing an open-house for peers. Companies found it easier to encourage environmental responsibility than social responsibility. While there was some variation in how companies encouraged CSR, this could not be accounted for by size or sectoral differences.

Although most companies felt that there was enough information about CSR, support, in terms of practical and financial help, was limited. A further complicating factor was that many companies rarely sought advice from external support organisations. Companies mainly sought advice from business associations such as Business Link, but these provide very limited information on CSR. They felt that support organisations provided a confusing array of services, which often overlapped and were poorly funded, and as profitable, successful companies they were often excluded from access to business grants and support. Companies felt that CSR support was not targeted at SMEs, and that the business benefits of CSR need to be promoted to encourage SMEs. Organisations such as Business in the Community encourage companies to gain recognition for what they were already doing, but do not capture companies who are not already engaged in CSR. The government could provide more support, but the perception is that it is not really doing enough to support socially and environmentally responsible SMEs.

12. ''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.'' [Engineering, Yorkshire and Humber, 45 employees].
13. ''...nobody's said this is a package of product information or initiative that is totally designed to deal with the corporate social responsibility aspect...'' [Manufacturing, South Wales, 120 employees].

The organisations that specifically champion and support CSR have a patchy reach so many areas of the UK are missing out, and the success of many support schemes tends to lie in the drive and commitment of individuals, leaving them vulnerable to changes in personnel.

Managerial values

In order for CSR to work in a company, it must have an internal champion; top-level management commitment is crucial to its success. In a large company, top-tier managers may support CSR, but it is usually driven by champions at the middle-tier working in departments such as human resources or external relations. In SMEs, the owner–manager is often both the driver and implementer of values. Managers exhibit their personal values through the

exercise of managerial discretion (Hemingway and Maclagan, 2004) and SME owner–managers have the autonomy to exercise such discretion. In all of the companies interviewed, the owner–manager or senior partner was directly responsible for directing the CSR principles and activities of the company and moulding the company culture in their own personal values and beliefs. All interviewees felt that their values were essential and a powerful driver of ethics and standards in the company. This also led many to be external champions of CSR, promoting the agenda because they truly believed in it; this would place them in Spence and Rutherfoord's (2000) social priority frame.

14. "... I'm a great believer in karma, for one thing, I do believe 'as you sow, you shall reap' and I think that's an important philosophy and its something I've tried to follow for a long time...So trying to help people is one of my mantras, if I can do it and other people can benefit, then all the better, it makes sense." [Service, Scotland, 95 employees].
15. "...you may say that you affect it in your own image... I think our team of directors are of a very similar standpoint, the whole board is.....I think it would be difficult if one person felt very committed and the rest did not. I think the whole thing is that your whole senior management team does need to be on board with it. You probably do need some kind of champion..." [Printing, South East, 35 employees].
16. "...if you looked at CSR and then looked at our values, they're very similar, and that's why we were quite keen to look at CSR..." [Printing, East Midlands, 39 employees].

Discussion – steps for championing CSR in SMEs

The literature shows that CSR can be the result of championing by a few managers (Hemingway and Maclagan, 2004); in SMEs this is most likely to be the owner–manager. This section discusses how the results from this study can be transferred into four key steps that may be taken to champion CSR in SMEs both internally and externally.

Step 1: developing an understanding of CSR and translating this into business principles

The companies that participated in this study defined CSR informally and the values and principles that the companies espoused were driven by the personal values of the business owner–manager/s or CSR champion. There is much agreement that "corporate social responsibility" may not be the most effective term to engage SMEs in issues of social, environmental and community issues (Southwell, 2004). Discussing the term CSR revealed several points of concern, suggesting that the removal of the word "corporate" and the simplification of the term to focus on the practicalities of implementing it internally, using terms from everyday life, would improve understanding. The diversity of the SME sector, particularly considering the variety of reasons for founding and running a business, would make a search for an appropriate term to fit all futile. Instead, the focus should be on teaching SMEs that CSR is as much about internal functions as displaying a responsible external image and what practical steps they can take to achieve this. CSR is the practical implementation of a company's "ethos". To operate in a responsible way requires that managers and employees act in accordance with certain values and norms (Graafland et al., 2003). It is the responsibility of the owner–manager to set the company's vision and principles and align the company's understanding of CSR to this. For example, the principle "respect and value our colleagues" in CSR translates into improving the work-life balance of employees or providing excellent training and development opportunities. It has been suggested that SMEs often rely on dialogue strategies whereby they try to learn from new situations and from what external parties communicate (Graafland et al., 2003). SMEs should engage with stakeholders to learn which aspects of CSR are key to their company, and indeed the research suggests that those that did found that it helped them recognise where the focus and emphasis of the company should be and to develop strategic relationships with important stakeholders.

Step 2: targeting CSR activities appropriately

To support CSR activities in a company, a "champion" is needed to pioneer and support new

ideas. In the study, companies this champion was the managing director/owner–manager or a senior partner. For CSR to become embedded in the company however, employees must ''buy-in'' to the concept, something that many SMEs find difficult. One way of overcoming this barrier is to channel CSR activities through employees e.g., supporting the school that employee's children attend, or by making CSR activities directly relevant to the working life of employees e.g., *pro bono* work in the community.

The progression of CSR in companies is gradual, beginning with a few small activities and building over time into a CSR programme. SMEs may be initially scared of words like strategy and policy, and to suggest starting at this point would almost certainly overwhelm most small businesses. A common starting point for the companies in this study was looking at their greatest level of impact as a business and hoping to make a significant difference by targeting their CSR efforts here. For example, the printing companies realised that despite their small size, the nature of their activities meant they had a significant environmental impact e.g., through VOC[7] emissions or using a large amount of paper. Therefore, CSR first started for them by systemising their environmental management — gaining ISO14001 accreditation, switching to water-based inks, or using recycled paper. The service companies realised that they could best make an impact on society by offering their services, what they do as a company, *pro bono* to the community – architectural services or solicitors.

Developing a company CSR strategy is something that most SMEs would find difficult; only five companies had reached this stage. However, those companies that had a CSR strategy found that entering awards, such as Business in the Community's Big Tick Awards, helped them to make sense of their CSR activities and rationalise what they were doing – and from this strategies and policies began to grow. The best way for an SME to begin approaching CSR is to ''make a difference where they can'', looking at their greatest area of impact and developing targeted CSR activities. This needs to be led by a CSR champion – usually the most senior person in the company. External organisations supporting the development of social responsibility in SMEs need to realise this and help them develop targeted activities.

Step 3: overcoming challenges

Despite the challenges posed by CSR, several companies did not see them as an obstacle, merely a challenge to be overcome. The study companies argued that CSR had to be integrated into all aspects of business operations and not be seen simply as a costly externality. By placing social responsibility at the core of everyday business decisions CSR becomes less of an ''add-on'' that they do not have time and money for, more ''just the way we do things''. They displayed many characteristics of the ''social priority'' company where social values and actions are integrated into the business life (see Spence and Rutherfoord, 2000).

Companies found that employees were more interested in CSR if they could be involved in schemes that directly related to their job and that provided them with opportunities for training and development. For example, one company 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 providing disadvantaged people with access to training (Jenkins, 2004b).

There are difficulties associated with CSR in SMEs and resources will always be limited. However, rather than seeing difficulties as a barrier, they could be approached as a challenge that needs to be overcome through innovation. Indeed, SMEs have many characteristics that can aid the adoption of CSR:

- SMEs are flexible and adaptable, and can therefore respond quickly to changing circumstances. For example, SMEs may be able to rapidly take advantage of new niche markets for products and services that incorporate social and/or environmental benefits in their value.
- SMEs are often creative and innovative, which can be applied to the development of innovative approaches to CSR.
- The owner–manager is closer to the organisation so can more easily influence the values and culture of the company and champion CSR throughout the company.
- Communications in SMEs are more fluid and open allowing values to be embedded

across the organisation and CSR information to be rapidly disseminated.
- Leaner, less hierarchical management structures should facilitate the involvement of all employees in CSR programmes.
- The benefits of undertaking any action are felt more immediately, particularly those relating to personal satisfaction and motivation.

Step 4: business benefits

All of the SMEs interviewed experienced business benefits as a result of their CSR activities. Despite the fact that deriving business benefits was not a deciding factor for any of these companies to undertake CSR, their motivation was internal and stemmed from moral values, they were pragmatic and recognised that CSR needed to be mutually beneficial if it was to succeed in a business context; placing them between the ''social priority'' frame and the ''enlightened self-interest'' priority. Although a causal link between strong social and financial performance has not been proven, there is a growing body of evidence suggesting that there are numerous tangible and intangible benefits from CSR (Grayson and Hodges, 2004; Greening and Turban, 2000; Orlitzky et al., 2003). The nature of the benefits varied, but common themes included increased employee motivation and improved image. Most of these benefits are ''intangible'' and, with the exception of environmental initiatives, few companies had experience of hard cost savings (though few attempted to measure or quantify any potential benefits). The companies were however agreed that the best way to encourage other SMEs to undertake CSR was to educate them about the business benefits, tangible and intangible.

External pressure was a weak force in persuading companies to undertake CSR. 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. SMEs should not wait to be forced to undertake CSR by supply chain or legislative pressure, being proactive now will give them a positive advantage over other companies who are slower to react. The ultimate responsibility for seizing the opportunity to change lies with SMEs themselves (Tilley et al., 2003). SMEs can also exert pressure themselves through the supply chain by championing CSR and encouraging suppliers and customers to adopt socially and environmentally responsible behaviour.

Conclusions

An integrated approach is needed to help SMEs to understand what CSR means for them and how to integrate it into core business practices. CSR needs to be interpreted more informally and introduced incrementally, in line with owner–manger and other stakeholder values, so that is becomes ''what the company does''. The research shows that stakeholder theory is a key (albeit not explicit) component of how SMEs frame their understanding of CSR, however more research is needed to develop a theoretical framework in which SMEs and CSR could be best understood; particularly as this research excludes the micro-firms and smaller SMEs.

Support organisations should develop tools specifically for SMEs, not simply adapt ideas designed for large companies for small companies. Policy makers and support organisations also need to consider the diversity of SMEs when developing CSR policies and tools for them; sectoral differences should also be taken into account, as the research shows that different types of companies are likely to prioritise different types of CSR activities. The study companies felt that award schemes provided them with an opportunity for benchmarking and learning from others. The development of CSR learning networks, possible sectorally specific ones through trade associations, would provide SMEs with access to a range of complementary experiences and expertise in an appropriate environment. The study companies were very positive about previous schemes such as Inside U.K. Enterprise, a Business Link initiative that gives managers the opportunity to visit leading companies and learn at firsthand how they have confronted business challenges and achieved success. Such a scheme could be adapted for SME managers to learn about different aspects of CSR in other companies. Similarly, the U.K. Business Champions initiative could be tailored so that SME CSR champions, such as the companies in this study, can give their time and support to disseminate CSR knowledge to other companies.

The companies in this study are champions of CSR, both in the sense that they drive best practice through their own companies and that their experiences can be used to champion CSR to other SMEs. All of the companies in the research believed that the key to engaging SMEs in CSR is to educate them about the numerous business benefits that abound and highlight the internal characteristics of SMEs that can support the success of CSR. More research needs to be undertaken into proving the business case for CSR in SMEs. While this paper adds to the slowly building body of knowledge on the approaches taken to social and ethical responsibilities in SMEs there are still many gaps in our understanding. There is a need for sector, size and location specific research to reflect the diversity of SMEs and for more relevant case study evidence to be available. Knowledge is also needed about the social and ethical perspectives of different "types" of SMEs, such as high-growth, lifestyle, family, owner-managed, and export oriented, and the complex range of factors that may influence behaviour.

Notes

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

[2] 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* [see http://www.sbs.gov.uk/content/pdf/sbsbrochure1.pdf, accessed 28/04/2004], Small Business Journey [see http://www.smallbusinessjourney.com/output/page1.asp, accessed 16/08/2005], EU Multistakeholder Forum on CSR: Round Table "Fostering CSR among SMEs" [see http://forum.europa.eu.int/irc/empl/csr_eu_multi_stakeholder_forum/info/data/en/CSR%20Forum%20roundtables%20reports.htm, accessed 16/08/2005].

[3] Small Business Service (2005) see http://www.sbs.gov.uk/SBS_Gov_files/researchandstats/SMEStats2004.pdf [accessed 12/01/2006].

[4] See Business Champions Network http://www.businesschampions.co.uk/index.php?page = home [accessed 17/08/2005], East Midlands Business Champions http://www.businesschampions.org.uk/main/default.asp [accessed 17/08/2005].

[5] See Business in the Community http://www.bitc.org.uk/regions/bitc_in_your_region/yorkshire_humber/programmes/communitymark/bus_champions.html [accessed 17/08/2005].

[6] 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.

[7] Volatile Organic Compounds.

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