

## **Research Project: CSR and Accountability in Key Contexts – Small and Medium-Sized Enterprises (SMEs).**

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**Background:** The notion of CSR is almost always framed in the context of large companies due to their perceived scale of impact and influence. The very label seems to imply that it applies to large companies since the word ‘corporate’ is (mis)used to indicate ‘big business’ and whereas large firms may relate to ‘society’ as a whole, key stakeholders for a small business of employees and customers will often relate to a particular community or region. This tendency to neglect SMEs can also extend to issues of environmental impact and sustainability, since smaller companies are perceived as less impactful, even though evidence suggests that smaller firms may have a greater environmental impact per unit of economic output than larger firms. BRASS research work on SMEs is also linked into other projects including their role in sustainable communities (see A27) and the nanotech industry (see A14).

### **Aims & objectives:**

- To look at how SMEs can respond to and integrate social responsibility into core business strategies and to address the barriers and challenges that may be faced;
- To answer key questions about the pressures motivating SMEs to become more socially responsible;
- To investigate the potential benefits to SMEs of engaging with stakeholders and investing in more socially responsible behaviour;
- To better understand the nature of SME relationships with key stakeholders including customers, suppliers, employees and the community;
- The long-term aim of the project was to seek ways of transferring exemplary knowledge throughout the SME sector, and using this to build a model of CSR practice suitable for SMEs.

### **About the research:**

BRASS has developed two strands of research related to SMEs. One concerns the evolution of the CSR agenda, which has traditionally been dominated by issues relating to larger companies. More recently there has been growing recognition of the significance of the SME sector and their social and environmental impacts, and there have been an increasing number of initiatives aimed at “engaging” SMEs in the CSR agenda. Although CSR has been well researched in large companies, SMEs have traditionally been under-represented. This project addressed this by investigating CSR solely from the perspective of small businesses in terms of how SMEs define and relate to the concept of CSR, what kind of CSR related activities they undertake, from where they feel pressure to engage in CSR, what barriers exist to becoming more socially responsible, whether there is enough support for SMEs, and the relationship of SMEs with various stakeholders.

The other strand of BRASS’s SME interests relate to the relationships between management attitudes, environmental performance and competitiveness amongst smaller companies across several sectors within Europe (with a particular emphasis on fruit and vegetables). In terms of methodologies, this work was largely based on case studies of companies (covering a variety of sectors) who had been recognised in some way (typically through some form of award) as being excellent in at least one particular aspect of CSR performance. It also involved a comparison between UK and German SMEs in their response to environmental issues through a survey to which just over 400 small firms across three sectors responded.

**Results and outputs:** The case study based work in the UK demonstrated that although many smaller companies were proactive in CSR performance, they often did not recognise this situation

as such. CSR contributions such as providing opportunities for local schools, contributing to local charitable efforts, or contributing to local environmental improvements were typically viewed as ‘*just the way we do business*’ but were not necessarily explicitly connected to any notion of CSR or of generating potential competitive advantage. SMEs who did recognise the value of CSR also faced barriers linked to resource availability and the sheer lack of CSR guidance and knowledge framed in a way that was meaningful for smaller companies. The research led to the development of a ‘business opportunity’ model of CSR for SMEs with the aim of helping smaller firms to identify and exploit relevant social responsibility based opportunities. 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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**Impacts/potential for impacts:** The CSR case study work was used to produce a project report written for business stakeholders entitled “*Make a Difference Where You Can: Corporate Social Responsibility in UK SMEs*”. This led to a project with the ACCA to create an interactive guide for SMEs interested in improving their CSR performance. This was made available via the BRASS website and allowed small firms to explore potential CSR opportunities and challenges at ‘beginner’, ‘improver’ or ‘advanced’ levels. The guide was backed with links to information sources and other resources to help small firms develop their CSR planning further. In 2006 BRASS also developed a case study of the UK for an international comparative study of environmental compliance assistance for SMEs funded by the EU and led by the Institute for European Environmental Policy.