

The Importance of Corporate Social Responsibility for SMEs

Small to medium-sized enterprises account for about 90 percent of businesses worldwide and are responsible for 50-60 percent of employment. As such, they play a fundamental role in society and can potentially have a huge impact on social welfare.

It is surprising, therefore, that corporate social responsibility (CSR) initiatives, so far, have tended to focus on large companies and multinationals. As SMEs have stakeholders and an impact on society, the concept of CSR is just as valid for small companies, as for large companies.

Defining CSR

The Australian Centre for Corporate Social Responsibility defines "corporate social responsibility" as the practices and processes that businesses use to:

- respond appropriately to stakeholder expectations
- minimise any social or environmental harm that may flow from the products, processes and behaviour of companies, and
- leverage companies' unique competencies for positive social and environmental impacts.

Existing Practices

Many SMEs may be doing CSR in some way or form, but don't call it "CSR" as such. For example, they may provide excellent goods and services; they may be great employers, engaging with their employees and other stakeholders; they may be alert to health and safety issues in the workplace and for customers, or they may be attempting to operate sustainably and minimise their use of natural resources. All of these things are examples of socially responsible behaviour but are not labelled as such by many small and medium sized businesses.

Staffing is often a critical element in the success of a small business. It is true in any business but employees in a small business are often a critical resource for the business's success and prosperity. As such, many small and medium-sized businesses place emphasis on increasing employee skills and work on motivating and building staff morale.

Much of SMEs' social, community and environmental initiatives are therefore driven by, or focused on employee engagement and development.

Barriers

Barriers for SMEs for becoming involved in corporate social responsibility include;

- the cost of implementing CSR activities when survival is often the greatest economic imperative;
- time and resource constraints which may mean a lack of affordable external support and resources;
- a lack of awareness of the business benefits with no/little understanding of the business case for small and medium-sized enterprises;
- the fact that existing CSR tools and guidelines are mainly geared towards large business;
- no systematic incentives or frameworks for SMEs to engage with this concept and
- fear of additional regulatory and bureaucratic burdens.

Drivers

On the other hand, there are a number of drivers which could encourage CSR in small business. Firstly, there is the ability to attract and retain valued employees. A characteristic of small businesses is that their success is largely dependent on a handful of key employees. An eagerness to prevent a rapid turnover of staff creates in SMEs a strong incentive for responsible labour practices.

Other drivers include the ability to develop unique selling propositions and competitive benefits through their products and services; cost and efficiency savings and enhanced reputation.

Ways Forward

One of the problems that SMEs face when seeking to address CSR issues is that many of the tools are designed for big business. Initiatives aimed at encouraging SME involvement in CSR need to be easily accessible and relevant. The advice needs to be tailored to them with easy-to-use tools and case studies that make it real and provide encouragement to SMEs. If small businesses can see examples of specific initiatives that have increased profitability and improved the business they will be more likely themselves to adopt CSR strategies. Information should be made available through channels known and trusted by SMEs including industry associations.

The engagement of the not-for-profit sector, not just business, is going to be essential. The three-way partnership between government, the not-for-profit sector and small business will be much more likely to deliver success than simply government engaging small business, because small business on its own does not necessarily have the qualifications or the expertise. Specialist organisations in the not-for-profit sector will be able to bring the expertise in program delivery.

These tactics – developing CSR tools and frameworks specifically for small businesses and engaging the not-for-profit sector provide promising avenues for improving CSR amongst small and medium-sized enterprises.

This paper has been adapted from a submission by ACCSR to the Victorian Government Family and Community Development's inquiry (June 2007) into the involvement of small and medium businesses in corporate social responsibility, and was prepared by Kate Niblock-Siddle, Rebecca Jones and Leeora Black

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