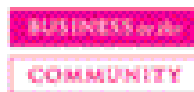




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RESEARCH CONSORTIUM PARTNERS:



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# Introduction

## **Context**

The need to promote socially responsible business practice among small and medium-sized businesses was identified as a priority by Dr. Kim Howells, then Minister for Corporate Social Responsibility, in the Government's "Business and Society" report in March 2001.

Recent research suggests that SMEs in the UK may make a social contribution worth up to £3bn each year - about ten times that of large corporations. As SMEs are important to a range of economic and social initiatives in the UK and Europe, increasing the quality and extent of SME contributions to such initiatives is seen as vital to promoting the overall positive impact of businesses.

From March 2002, the Small Business Service's Benchmarking Index will include a section on social responsibility. The Department for Trade and Industry is also supporting the development of a social responsibility toolkit with CSR Europe, building on UK as well as European experience.

A range of organisations from the public and not-for-profit sectors, including those who have contributed to this report, have an interest in promoting responsible business practice. It is envisioned that these organisations should work together, where possible, to develop and promote a common agenda to achieve this goal.

## **About the study**

'Engaging SMEs in Community & Social Issues' is a consortium research study on behalf of the DTI, led by Business in the Community, with British Chambers of Commerce, the Institute of Directors and AccountAbility (the Institute of Social and Ethical Accountability). This research aims to better understand, with a view to increasing, the engagement of SMEs in responsible business practice.

The research was commissioned to help the Department of Trade and Industry better understand SME involvement in the CSR areas and provide recommendations for third parties to promote that involvement. The report examines current practice, the language used by SMEs as well as the motivations, barriers and the business case for social and environmental engagement. An action agenda is then proposed for third-party organisations and government. A list of case studies and other examples of best practice was also compiled to further illustrate and inspire SME commitment.

# Research Methodology

## Stage 1: Pooling our learning

An initial research framework was produced on the basis of:

- **Desk research** to ascertain previous lessons learned about engaging SMEs with the social responsibility agenda. Sources are listed in Appendix 1.
- **Policy interviews** with SME specialist organisations and SMEs. A list of interviewees is included in Appendix 2.
- Consultation with members of a **reference group**, drawn from practitioners and SMEs, who helped define the research brief and the key issues to be addressed. The reference group members are listed in Appendix 2.
- **Best practice learning from other organisations** engaging with SMEs (also listed in Appendix 2).

## Stage 2: Primary Research

A major element of this project is primary research – both qualitative and quantitative among SMEs themselves.

The **quantitative** research was undertaken among 200 Managing Directors of SMEs, as defined above. Quotas (based on number of employees, region and industry sector) were set to ensure interviews were conducted with a representative sample. The survey was undertaken by an independent telephone research unit (Facts International), with the sample drawn from Institute of Directors' membership and 'Sample Answers'. The topline results of this survey are appended to this report (Appendix 3). Interviews took place between 30 January and 19 February 2002.

The **qualitative** research was conducted through five group discussions organised by Chambers of Commerce in Aberdeen, Chesterfield, Hastings, Manchester and Preston between 11 and 25 February 2002. A total of \*\* participants from Small or Medium organisations took part, all Managing Directors or Directors.

## Defining SMEs

For the purposes of this project, we used the DTI and EU guidelines which defines Small & Medium Enterprises as organisations with:

- Under 250 employees \*
- A turnover of under 40 million Euros (£27 million)
- Over 25% owner-managed

**\*The quantitative element of the research project was focused to organisations with between 20 and 250 employees.**

## Executive Summary - How to further engage SMEs

The vast majority of small and medium sized enterprises (SMEs) believe that organisations like themselves should pay significant attention to their social and environmental responsibilities. The perception of importance and a link to business success is higher among larger SMEs and those who are members of more business networks and associations. In addition, 91% of SMEs would describe their business as socially and environmentally responsible, and an even higher proportion believe their organisation operates responsible business practices.

The varying nature of relationships between small and medium sized organisations and their significant stakeholders will determine the most effective mechanisms for supporting their socially responsible business practices. As relationships for smaller organisations are different from those for large businesses, this should be taken into account by intermediaries who tend to (or are seen to) adopt a "big business" framework in designing initiatives targeting SMEs, creating a counter-productive administrative burden. Organisations seeking to engage SMEs need to be encouraged, in short, to 'Think Small First'. The values of SME owner/managers - particularly those associated with their motivation for being in business - can also provide useful clues for tailoring strategies to engage them.

SMEs' social and community activities are fragmented and informal and few have, or feel the need for, formal policies or stated intentions. Many companies are engaged with at least part of the CSR umbrella, often not knowing this is what they are doing. A key to further engagement seems to be to not only concentrate on engaging new businesses, but also to widen the engagement already active across the CSR agenda.

Overall, SMEs tend to be most focused on internal issues. Many of their responsible business practices therefore concentrate on staffing issues, increasing employee skills, team building as well as on morale and motivation within the organisation. Much of their social, community and environmental initiatives are therefore driven by, focused or designed to impact on, employees.

Drivers of both initial and continuing SME engagement include personal interest and fulfillment, a desire to implement 'just good business practice', improved morale and motivation, giving something back to the local community and enhancing business reputation.

Encouragement and supportive persuasion is seen as the preferred (and from the experienced, the most effective) mechanism of engagement. Promoting a sense of fun is seen as key to engaging SMEs and therefore a formalised, compulsory framework is likely to change the nature of SME activities and deter others from becoming involved.

Fear of bureaucracy, time and cost are the main barriers to further engagement, but interestingly this is not the experience of most of the SMEs who are engaged. In other words, barriers tend to be built on perceptions rather than reality. However, the research also identifies a lack of knowledge of the issues and the opportunities for engagement as an additional real barrier.

Support needs to be simple, transparent and local. A key recommendation for increasing SME engagement is to 'Keep It Simple'. The call for simplicity refers not only to the content of communications but also to the channels through which SMEs are supported and engaged.

'Corporate Social Responsibility' is seen as an abstract term, and one which does not signify the totality of community involvement, social policy and environmental policies and practices. Engaging SMEs requires step-by-step guidelines and tools which help SMEs get started and develop their social responsibility themselves. Simple action verbs should focus on the relationship or interaction a business has with the community and environment, show how a business helps the community, emphasise pragmatic business benefits and – crucially - avoid the prospect of more regulation, bureaucracy or impositions.

Case studies are important - if SMEs can see specific practices which impact profitability, they tend to more likely to become involved. However, a specific analysis of factors common to SMEs that have become successfully engaged is needed and further research and collaboration may produce this.

SMEs also want the experience of engagement to be simplified. There is a clear feeling of bombardment (whether it be legislation or approaches from local charities) and too many organisations overlapping in advice. SMEs want a single, local point of contact through which they can network with other organisations, learn about current and best practice, the business case, the issues considered to be important and how to get started.

The strongest finding from this study is that third parties need to work together to further engage SMEs in socially responsible business. A centrally coordinated, holistic approach would not only leverage information and resources more effectively, but from a SME point of view, provide coherent and seamless mechanisms for engagement, tailored for specific sectors and issues. We therefore propose that, in order to take this further, a two- or three-year programme is set up, pulling together and breaking down the various silos that exist in order to create a common central signposting and practice resource. As this research confirms, this also needs to be delivered locally, through business networks, leaders and champions.

# The role of relationships & values in SMEs

For the purposes of this study, SMEs are defined in terms of number of employees, turnover and management structure. However, throughout the project a common theme emerging from the research is that SMEs and the nature of their relationships with key stakeholders need to be differentiated from each other, if the business case, motivations and barriers and current patterns of responsible business practice are to be fully understood.

The Forum for Private Business has developed the concept of the 'small business ethos', defining SMEs in terms of developmental stages achieved in key relationships, such as:

- **Employer/employee relationships** (e.g. selection, recruitment, terms and conditions, training, definition of responsibilities, career path substitutions)
- **Business/bank relationships** (e.g. financing, understanding and application of risk assessment, alternative funding, asset management)
- **Customer/supplier relationships** (e.g. differences in formal and informal quality control processes, informal understandings within supply chains, marketing, selling, PR)
- **Business/regulatory enforcement** (e.g. how compliance with 'red tape' is achieved, relationship with enforcement officials).

From start-up to maturity, these SME relationships evolve through different stages, although it is not suggested that all SMEs develop along a common path. The FPB also stressed that the relationships between SMEs and their key stakeholders - notably employers and customers - are qualitatively different from those of large businesses, characterised by a high level of informality. Customer relationships are often based on personal knowledge of the customer's needs, while employee relationships are more family-like, with greater cordiality and social integration.

Such relationships, by virtue of their more intimate nature, are seen as inherently more 'responsible' than the more impersonal relationships associated with big businesses. Therefore, a small business may therefore consider themselves to be a 'responsible business', even though it may not be formally recognised. This is reinforced by this research project, which shows that 96% of SMEs feel they have responsible business practices.

As well as identifying how the concept of a 'socially responsible business' applies to SMEs, which this project hopes to address, the FPB suggests that a further challenge is to identify and address the gaps between what government and third parties envision for SMEs and their own perceptions of socially and environmentally responsible business.

A somewhat different, although related, conception of SME development has been put forward by David Grayson, BITC director and Principal of the new virtual corporate university for Small Business Service Business Links, and David Irwin, director of the Small Business Service. In a November 2001 RSA lecture, they proposed that businesses progress **through distinct stages of relationships with support networks** as they develop.

- **"Just do it."** Entrepreneurs at this stage are characterised by self-belief and a tendency to overestimate the likelihood of success, these entrepreneurs attempt to act as independently as possible. They focus on attracting resources and persuading others to believe in them, with a minimum of support or advice from others.
- **Flying solo.** Once they are fully in business, these entrepreneurs are proud of what they have achieved but some are also too embarrassed about what they still do not know to seek advice from others. The most successful entrepreneurs generally recognise their shortcomings and address them.
- **Support seekers.** These individuals are starting to think strategically and are undertaking key tasks for the first time, such as employing people, exporting, introducing total quality management or raising equity. Those who recognise they need support for these activities are far more likely to be successful in the long run.
- **Active networking.** The pinnacle is recognition by the entrepreneur that support and advice is essential to business growth and does not need to come solely from professional advisers but can come from a myriad of sources. The most effective entrepreneurs are those who network voraciously.

Allied to relationships are **values**, particularly those of SME owner/managers. Understanding the owner/manager's perceived purpose of the business and their motivations for running it may provide useful guidance in developing the business case and tools for promoting responsible business practice.

With this in mind, the primary research element of this project also focused on motivations for starting up and running a small or medium sized organisation. One of the most important aspects of running a SME was seen to be (as well as 'to earn a decent living') independence and a greater sense of personal fulfilment and by being in control. This personal aspect is a strong dictator of the motivators and the actual involvement of SMEs in community and social initiatives, as discussed in 'Motivations'.

The 'types' identified through our research process are outlined below. Support for and encouragement in promoting the responsible business practices will need to be different for each of these distinct groups:

**'Ben & Anitas':** SMEs which have been started as 'social enterprises', in which the owner/ managers are motivated heavily by a desire to create positive community or social impact. These organisations are more likely to understand CSR concepts and jargon and seek out information and opportunities for engagement.

**Arthur Daleys:** These are motivated purely by financial gain, seeing no relevance for social engagement, and unlikely to be an active members of business networks. They believe they have no social responsibilities outside the narrow confines of their business.

**One-offs:** These are individuals who have had relatively minimal experience of engagement with the social responsibility agenda. They may have participated in a volunteering project, for example. Once engaged, they could progress to become another 'type', depending on their underlying motivations and circumstances. Motivations tend to be issue-based.

**DIYers:** These fiercely independent individuals work in isolation from others and eschew the visibility associated with business networking or engagement with government and its associated bureaucracy. Their socially responsible activities are often fragmented, lacking the coherence associated with having an over-arching vision of a 'responsible business'. They may write cheques for charities or provide facilities or expertise for local projects, but each contribution is an isolated act. DIYers are less interested in engaging with others to leverage or communicate their involvement. As a consequence, they will be more difficult to reach or support.

**Smart pragmatists:** These individuals recognise the business benefits of acting responsibly - e.g. big business customers demanding evidence of good environmental practices as a condition of winning contracts. However, the motives of these individuals differ from those of **enlightened pragmatists**, who are motivated by broader, long-term societal goals as well as understanding the basic business case. This latter type would be motivated to improve their environmental practices by a desire to improve the environment generally and run a sustainable business.

### **Why are these types significant to this project?**

The different underlying motivations and experiences of these groups means that:

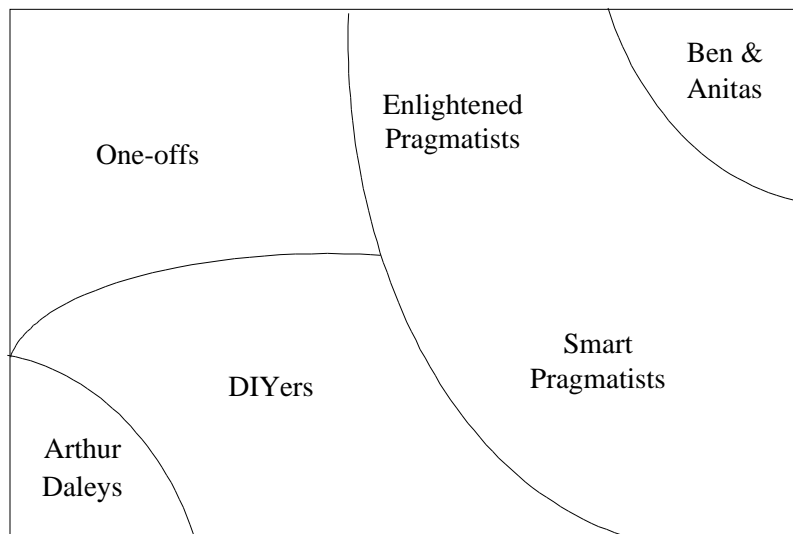
- The **motivations & business case** will differ across these groups. A DIYer, for example, will not be as motivated by opportunities to achieve PR profile as such as the pragmatists and therefore the business case should be presented differently for each of them.

- **Language** needs to be tailored for each of the groups. In promoting responsible business practice, communication with one-offs, who have had less experience of engagement, needs to be simpler and more concrete than with 'Ben & Anitas', who are likely to be more familiar with CSR jargon.
- **Types of support** required will differ across groups. One-offs will need to be educated about the business case for engagement to a greater extent than enlightened pragmatists, who will be familiar with the business case and need more practical guidance for improving the quality of their activities.

At a strategic level, government and third-party organisations interested in promoting SME engagement with CSR can direct their resources more cost-effectively to maximise engagement across the universe of SMEs. They might, for example, decide to focus initially on smart and enlightened pragmatists and not attempt to engage Arthur Daleys. The 'Ben & Anitas' could be used as a network of role models to 'sell' CSR to other groups.

A map of these types is shown below. This is not meant to be comprehensive or to scale but rather a starting point for further action and research:

#### Proposed SME Typologies



# Terminology

There is universal agreement that 'Corporate Social Responsibility' is not the most useful, or indeed effective, phrase to describe the spectrum of community, environmental and social activities SMEs undertake. In each of the group discussions, the issue of terminology came up spontaneously in the first few minutes.

Although 'corporate social responsibility' was the most common phrase used (spontaneously by 28% in the quantitative research), this is seen to be driven by the need to build relationships with key audiences, particularly large-business customers and government. CSR was also seen in discussions as a barrier to further involvement as it evoked the spectre of regulation, perceived as burdensome to SMEs.

Corporate Social Responsibility was also seen as an abstract term. In the reference group discussion and in the policy interviews, there was a strong expressed desire for language to be made more concrete, using terms from everyday life - e.g. 'recycling' or 'energy cost reduction'. One participant suggested that the term 'responsibility' was also seen as having negative implications for staff.

'Responsible business practice' was used by 17% in the quantitative research, but SMEs tend to feel this is something different or more mainstream than CSR issues and was seen among SMEs to be more about Investors in People and IOS quality standards – *"more forms & bits of paper"*

*"By our very existence, we [SMEs] are inputting to and impacting on society. I spend all my time, trying to keep that afloat and my staff employed. I am doing additional bits and bobs but I wouldn't call it CSR, I would call it what it is - feeling involved, doing our bit and giving back when we can".*

'Community involvement' is also cited by one in eight, but this is often seen by SMEs as restrictive. This mixed use of language may be related to the heterogeneous nature of SMEs themselves - to quote one SME: *"CSR means different things to different businesses"*.

## **So how might the language problem be overcome?**

Suggested tips for improving terminology to describe responsible business practice included:

- emphasising the totality of responsible business practice;
- using simple action verbs which focus on the relationship or interaction a business has with the community and environment, or how a business helps the community;
- emphasising the pragmatic value to the business;
- being careful to not be exclusive;
- avoiding the prospect of additional regulation, bureaucracy or impositions

Certainly a remedy to the language problem is to engage SMEs more actively in tackling 'it', and thereby concentrate on enhancing rather than describing the activity. As SMEs themselves tend to dismiss the issue of language as 'not relevant' to them, case studies again provide a great opportunity to demonstrate the types of activities (and its impact) under the CSR umbrella, reducing the need for descriptions and CSR jargon.

However, descriptive terminology is favoured as long as the community aspect is included. By referring to CSR as 'social and environmental responsibility' a number of SMEs fail to see the relevance of community activities, as the 'social' aspect is seen to be responsible business practices. 'Community, social and environmental responsibility/ awareness' is most favoured.

## Current Practice

It is clear that SMEs' social and community activities are fragmented and informal. The Federation of Small Businesses also suggest that many SMEs do not realise they are involved. They, therefore, suggest approaches to SMEs should be couched in terms of an acknowledgement that they are by default socially responsible, but that the question is to what extent they 'go the extra mile' and contribute to the economy, workplace, environment. The Forum for Private Businesses has similar conclusions - that many businesses would consider they are already fully engaged in Corporate Responsibility action through their employees and through the service they may provide for the community. However, in reality, this may be a perception of their informal engagement, and may not equate with any "recognised" approach that may define CSR more formally.

This research confirms this – *"A lot of companies are doing it, and do not know they are doing it"* was a popular comment in our group discussions (and enforced by the hard data). Many SMEs see community and social activity as an 'add on', rather than an integral part of mainstream business. It tends to be those most engaged and those realising hard business benefits who view CSR initiatives as part of their organisation. This contrasts with environmental and employment issues which tend not to be viewed under the CSR umbrella, and are more likely to be seen as integral.

In addition, it is clear that many organisations do not have a formal social or environmental policy. In fact, Mazars Neville Russell research (2001) claims that only one in six SMEs have any policy relating to community or social activity. Again, this should not be taken as an indication that companies are not concerned, as our research shows that 84% of SMEs say they have discussed these issues internally in the last year.

A number of organisations do approach these activities more formally - or understand their fit with the business - if their organisation meets or adheres to business quality models. However, this research shows that 67% of SMEs do not use any business models or quality standards, and that one in six have Investors in People, and a further one in six have an ISO standard.

The most popular social responsibility activity among SMEs is internal, with over four in five SMEs saying they encourage skill development, encourage work/ life balance and take responsibility for the health and wellbeing of staff.

The internal aspect is perhaps the most distinctive feature of SME involvement, and a difference from the larger businesses who tend to be motivated by external pressures. Staff are often the motivation, the catalyst and the focus of the activity and communication, and are also seen as the key beneficiaries.

Environmental activity is also high, with two in three actively reducing their environmental impact, recycling or reducing waste.

Community involvement (often seen as the main factor under the term of CSR) is also high. 60% work with local schools or colleges (educational links and skills/ training being most mentioned in discussions), 52% work with charities or the voluntary sector, although only 53% would say they were active in the local community.

Overall, there is a high correlation between importance placed on and involvement with activities. However, the biggest gaps between importance placed and actual involvement are social exclusion & ethical sourcing (33% and 54% respectively believe these to be important for SMEs, but only 16% and 31% are actually involved).

The group discussions showed a real diversity in communication – some communicated to large business customers because they had to, but the key communication was to employees. The quantitative research showed there is a lot of communication with employees (89% do), but it drops dramatically for external audiences, although over half of those with external shareholders do communicate to that audience as well. After that, SMEs are most likely to involve and inform customers and suppliers, with only 30% saying they have communicated at all with either government (central or local) or the media (trade, local or national).

Throughout the desk research, interviews with SME specialists and the primary research, a number of new examples of good practice emerged. Given that case studies are also called for to further inspire and engage other businesses, a list of these case studies are provided in the Appendix.

## Engagement drivers – Motivations & Barriers

Social and environmental responsibility is clearly an issue that SMEs believe to be important.

Not only does much of the previous research indicate this, but in this most recent research 86% of SMEs believe that organisations like themselves should pay significant attention to their social and environmental responsibilities. Two in three SMEs also believe this contributes to a more successful business, although a quarter disagrees. The perception of importance and a link to business success is higher among larger SMEs and those who are members of more business networks and associations. In fact, 81% of organisations with 100 or more employees believe CSR activities contribute to a successful business (and only 9% disagree).

In addition, over nine in ten (91% of SMEs) would describe their business as socially and environmentally responsible, and an even higher proportion believe their organisation has responsible business practices. Discussions with SMEs reveal that while CSR activities are seen as part of responsible business practice, this term is more likely to conjure up thoughts of quality standards and procedures.

Key motivations are seen to be personal interest, 'just about good business practice', internal benefits of morale and motivation, giving something back (to the local community) and developing a good business image or reputation. Personal fulfilment for those involved is also a key driver and an added benefit. It should be noted that these are not only drivers for initial but also continued engagement.

Philanthropy should also not be dismissed – whether because they had 'had a good year', a guilty conscience, or are keen to address issues of importance to senior management (e.g. local football team or a charity that they have a personal interest in). Business Community Connections' research suggests that SME involvement in community causes is driven by the philanthropic wishes of owners and senior management and is not seen as commercially important. The Small Business Service seems to agree by concluding that responsible business activity is often driven by the personal values and frame of mind of the owner and senior management.

While the value of good publicity and improving image and reputation is recognised - in practice this seems to be seen as a result not a motivator, particularly given the fact that most SMEs do not have external shareholder influence. Similarly, greater networking opportunities are seen as a significant influencer and consequence of engagement.

A significant catalyst seems to be larger businesses as customers of SMEs: 60% say a large corporate customer has asked the SME to satisfy them on health and safety practices, and 43% say they have had this call on environmental practices. However, only one in six (16%) say this has been true for their social or community commitment.

However, a number of smaller businesses in the group discussions expressed concern about this pressure, seeing it as reducing the fun and fulfilling aspect of engagement and encouraging more bureaucracy at a cost of greater impact. There was real concern that this would put off other businesses.

However, there is clearly a role for large organisations to promote and influence SMEs (as opposed to enforcing), in combination with trusted service providers and intermediaries.

In addition to leveraging third parties to involve SMEs, we know that business brokerage networks can be key in supporting engagement. The research shows that there are SME owner/managers - possibly the 'DIYers' or 'One-Offs' described earlier - who can be galvanised into action by local issues, business survival threats or requests for charitable help. Brokerage networks (given the positive impact on social capital relative to the level of investment) could play an important role in engaging individuals from these groups and focusing their involvement with coherent initiatives.

While this report focuses on the actions of government and of third-party organisations in catalysing business action, the role of brokerage networks in creating social capital should also be acknowledged. As government has a role to play in encouraging such activity in the public interest, we suggest that it consider ensuring that such networks are adequately resourced at both a national and local level.

## **Carrots & Sticks**

As relationships for SMEs are different from those in large businesses (characterised by a high level of informality), this should be taken into account by intermediaries who tend to adopt a "big business" framework in designing initiatives targeting SMEs, creating a counter-productive administrative burden. It has been shown that SMEs will attempt to avoid this burden unless the positive benefits of compliance are proven and the administrative burden reduced. Therefore, a coherent business case, drawing on the commonalities from relevant case studies would be more effective.

Encouragement is certainly seen as the preferred method through active partnerships and case studies.

Financial and tax incentives certainly have potential and could be aligned with current policy directions, but there is concern about the difficulty of defining the activity (as reinforced through this research) and therefore enforcing an inflexible framework.

There is also a feeling that incentives are often regarded with suspicion, as they can create unfair competition where an incentive is more readily available to one sector of the business community than to another. The Small Business Service concludes that tax credits are not critical as there is too much of a lag effect to be an effective incentive and the fact that more sophisticated SMEs are already likely to be maximising their tax position.

Accreditation, endorsement and awards are supported by a majority of SMEs (according to the MORI 2000 research – 69%) and gratefully received by active SMEs supportive of the marketing and relationship opportunities afforded by this. However, there is a concern that such schemes are a stronger driver for large organisations. The down-side of endorsements are seen to be adding further pressure and paperwork on companies and even '*breeding bureaucracy*' (The Federation of Small Businesses).

This resonates with lessons learned by Business in the Community in the development of its CommunityMark accreditation scheme. Early versions of communications materials developed for the scheme's pilot phase in Brighton were perceived as overly complex by SMEs, and as a result there was little initial take-up. The process was subsequently re-designed by the project team in light of user feedback, and the CommunityMark is now being launched with a substantial number of SMEs involved.

## **Barriers**

The main barriers are seen by SMEs to be cost, lack of time and resources and bureaucracy. These issues are not new, and referred to by nearly every previous publication focused on this area.

However, in-depth evaluation in this project indicates that this is often challenged by SMEs who are engaged, suggesting this is perceptual fear not reality. The group discussions also identified another major barrier – lack of awareness that this is not just 'goodwill' but an essential part of responsible business practice and a lack of understanding of the positive impact responsible business practice can have.

This suggests that any tools to engage SMEs should not only be practical, easy to use and simple but also include case studies and relevant examples.

## Mechanisms for Further Engagement

The stated objective of this study is to understand how to further engage small and medium enterprises in community and social issues. Given that in mind, this section will look at suggested mechanisms - messages & mediums - for engagement. This is, as throughout the report, based on advice from third parties and from SMEs themselves – through both the qualitative and quantitative research undertaken specifically for this project.

The first key recommendation is to 'Keep It Simple' – referring not only to the terminology and language used, but also to the communication networks themselves.

There is a clear feeling of bombardment (whether it be legislation or approaches from local charities) and too many organisations overlapping in advice. On issues such as community, social and environmental responsibility SMEs do not want to necessarily see yet another body to emerge, rather effective collaboration among its network organisations and collective signposting for further advice or information. Through this network of organisations they expect to be able to network with other organisations, learn about current and best practice, the issues considered to be important and how to get started.

Involvement of sector bodies or trade associations is also key. This was regularly mentioned by SMEs throughout the group discussions, as a useful source of information. Engaged SMEs also like the idea of trade or industry associations advising companies on the key issues for their industry and how SMEs could help. This was seen as a real fit with the business and a chance to understand more about their industry and invest in long-term issues. This is particularly a concern for manufacturing and construction industries, where there is a worrying skills shortage. For example, a number of organisations in these sectors valued working with schools and colleges to advance skills in their industry, seeing not on the value of involvement internally (particularly from employee involvement) but in addressing a major concern and problem for the industry, which in turn would positively impact on their business.

Sector-based CSR networks can also be valuable in promoting SME engagement. A particularly successful example of this is ProHelp, the national network of professional firms offering free support to the voluntary sector. ProHelp has engaged over 900 accountancy, architecture, legal and other professional services firms in delivering pro bono support to the voluntary sector.

Participants in the group discussions identified a number of different mechanisms that would help them to further engage and integrate their activities into mainstream activities. It is clear that no one mechanism will engage all organisations and most request a variety from which they can pick and choose the most relevant and effective for them.

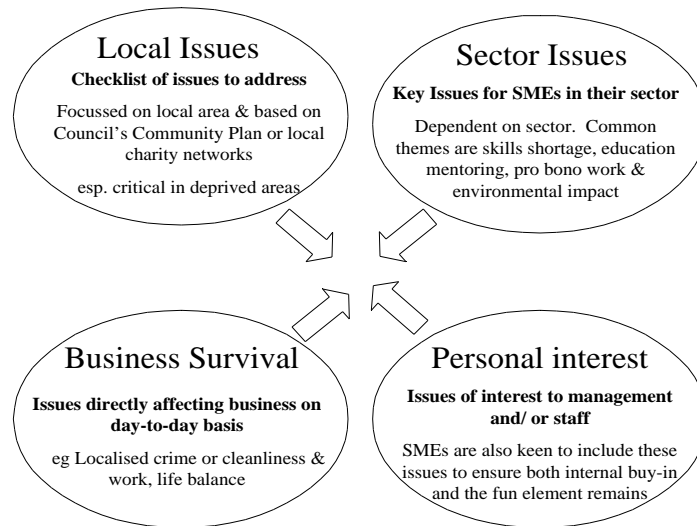
The preferred tool, mentioned spontaneously in all of the group discussions, and mentioned by over three in five of SMEs in the quantitative research (partly among larger SMEs), is a checklist of issues needing business engagement. While most organisations spontaneously focus on the local area and their personal interest, there is also interest (and involvement) in sector issues (particularly manufacturing and the chemical or plastics industries) and in issues that directly threaten their business survival.

This confirms the approach outlined in *Everybody's Business*, in which David Grayson & Adrian Hodges propose that certain situations – either in the business itself or in the environment where it operates – can act as “triggers” which engage an SME owner/manager with social responsibility issues. These include:

- **Sector-related circumstances** can influence which "responsible business" issues and practices are most salient for owner/managers. For example, the implementation of environmental legislation can trigger a move to manage environmental impacts for owner/managers of construction or manufacturing companies.
- **Business survival threats** can also influence SMEs. Areas with high crime and vandalism rates can focus the attention of SME owner/managers, and the business networks to which they belong, on engaging with local economic regeneration initiatives, while a shortage of skilled workers can lead employers to focus on improving the quality of education and training in local schools and colleges.
- **Local networks or initiatives** such as town or regional development plans, local charity networks or business brokerage schemes can also provide incentives for SME engagement.

As SMEs focus on a checklist of issues as the most useful mechanism to aid more strategic and considered involvement, the following model outlines how this could be presented. Although the issues themselves would need to be tailored by region and industry sector, there are clearly commonalities. This simple model allows for the fact different triggers will engage different businesses, and ensures a more strategic approach is adopted.

## Triggers for SME Engagement



Over two in five of SMEs also suggested the following could help aid further engagement:

- Advice on the business benefits (generic and actual case studies)
- Guidelines on how to get involved (under impact area headings)
- Range of case studies (In group discussions it was suggested that these would be most effective if focused on their local area & sector)
- Advice though a collaborative web based service.

The latter could take the form of a web portal through which advice, guidelines and case studies could be accessed directly by interested SMEs as well as by third-party organisations which are promoting their engagement. However, it should be noted that a web-based resource will not access all smaller organisations. In fact, according to the FPB only three in five SMEs have access to the internet.

The Business Links network could provide a useful vehicle for delivering such support to SMEs as part of their more general business support service offerings, provided they were empowered to do this. The new virtual corporate university being created for the Small Business Service and Business Links could play a key role in this process.

The existing CSR networks could also provide a high level of experience on the application of guidelines and tools by both large and smaller businesses and not-for-profit organisations. There is a considerable opportunity and need to ensure that this learning is translated into simple, clear language and methods. The work of AccountAbility in revising its accountability management framework, AA1000, and producing a special module for SMEs in 2002 could play an important part in this. One other opportunity is to link with the work of the New Economics Foundation, Poptel and AccountAbility, as well as CSR Europe who are all currently developing web-based tools) for SMEs to measure their social responsibility.

As discussed earlier, larger companies are also seen as useful to engage local businesses in particular issues or initiatives, and to guide SMEs in more strategic involvement. There are a number of examples how this has worked to date, for example:

- Engaging SMEs via supply chain relationships (Business in the Environment; BITC/NCVO (Taskforce 2002))
- Providing leadership and inspiring SMEs to take action on CSR issues (Business in the Community has successfully used this approach, particularly in the West & East Midlands regions)
- Facilitating engagement of SMEs by setting up infrastructure, offering facilities, advice/professional support, building awareness of options for SMEs, as suggested by the IPPR

The commitment and collaboration of third parties is also seen to be critical to the successful and more systematic engagement of SMEs. The consensus for SMEs is that this organisation should not, ideally, come from just one organisation, but through all their networks working together. This approach was successfully adopted by the diversity organisations (CRE, EOC, NDC and Equality NorthWest) by creating a greater partnership, and co-ordinated communication with SMEs. Through this approach they produced a central resource, checklists, guidance and practical guides.

With further collaboration and synergy in mind, the next section take this one step further and looks at how each of a number of 'types' of third parties could leverage engagement.

## Action for Third Parties

Throughout this report, recommendations and action for third parties have been identified. If there really is commitment to change SME behaviour, then ensuring consistency and collaboration with third parties, should be a priority for government.

A key feature of this work should be the support of SME networks. A key finding of this research is that SME owner/managers who are most engaged with networks are more likely both to place importance on CSR issues and to want to become engaged. This group constitute the 'floating voters' who could be galvanised into action if given the tools for engagement. Every effort should be made to reach those SMEs through their networks, delivering the necessary tools and developing their interest in CSR engagement.

The third parties seen as key for developing further SME engagement are listed below. We would recommend the DTI undertake a substantial multi-year programme with the consortium to empower & develop the capacity and CSR understanding of organisations which are engaged with SMEs, ensuring we respond to SME calls for better collaboration and synergy. Below is a list of third parties discussed or mentioned throughout the research project.

SME Support	<ul style="list-style-type: none"> <li>Small Business Service</li> <li>Individual Business Links</li> <li>IBA (Institute of Business Advisors)</li> <li>Livewire</li> <li>Prince's Trust</li> <li>Enterprise Clubs</li> <li>Enterprise Agencies</li> <li>Academy of Chief Executives</li> <li>BLU (Business Links University)</li> </ul>
SME Representatives & Professional associations for SME leaders	<ul style="list-style-type: none"> <li>British Chambers of Commerce &amp; individual Chambers</li> <li>IOD &amp; their branches</li> <li>CBI</li> <li>Federation of Small Business</li> <li>Forum for Private Businesses</li> <li>QCA (Quoted Company Allowance)</li> <li>Small Business Bureau</li> </ul>
Commercial Organisations with a substantial SME focus	<ul style="list-style-type: none"> <li>Accountancies &amp; Consultancies focused on mid-market</li> <li>Small Business Trainers</li> </ul>
CSR Intermediaries	<ul style="list-style-type: none"> <li>Accountability</li> <li>Business in the Community</li> <li>Institute of Business Ethics</li> <li>Campaign for Work Life Balance</li> <li>Industrial Society</li> <li>Employers Forum for Disability</li> <li>CSR Europe</li> </ul>

Government	DTI (& SBS) All Party Parliamentary Group (APPG) on CSR Regional Assemblies Interdepartmental group on CSR Regional Development Agencies (RDAs)
International	UEAPME (European Association of Craft, Small and Medium Enterprises), CSR Europe Small Business Europe European Commission – Enterprise European Chambers
Commissions for Standards	Equal Opportunities Commission (EOC) Campaign for Racial Equality (CRE) DRC Health & Safety Executive (HSE) Investors in People (IIP)
Academics & Media	MBA/ Business Schools BLU (Business Link Universities) Real Business
Financial	Clearing Banks BVCA (British Venture Capital Association)
Large companies with CSR knowledge and experience	Depends on local area – e.g. Boots in Nottingham

However, engagement with all of these third parties is a mammoth task, and some prioritisation will be needed. We would suggest that this is dependent on where:

- CSR Initiatives or programmes already exist
- Organisations or individuals have the most influence
- Partnership can be easily established
- Initiatives are aligned with mission & purpose of DTI
- Organisation can access & influence a network of SMEs
- Working programme could be timetabled

We would suggest that as a first stage of this on-going programme, the consortium pull together, break down the various silos and provide a common central signposting and practice resource (most likely a central on-line reference), including:

- Case studies (suggested examples are given in the Appendix of this report)
- Database of communicators/ speakers for organisations to use
- Central information on the hard business case
- Demonstration of the link between community, social and environmental activities

- A checklist list of key issues, based on the model shown earlier in the report
- A starter pack for organisations to see what activities they could do
- A web-based tool to explore and assess issues of social responsibility and socially responsible performance

However, research for this project also confirms earlier thinking that this needs to be delivered locally, through local business networks, leaders and champions.

# Case Studies

A key finding from this research is that case studies are useful in engaging SMEs. In fact, two in five SMEs said that case studies would be most useful. With that in mind, we have compiled an initial list of best practice examples (below) collated from all of the desk research, our reference group, policy interviews and group discussions hosted by Chambers of Commerce. This is designed to be a comprehensive list, perhaps the start of a central resource which could be used by others working in this field as well as SMEs themselves, as per our recommendations.

## Source

BITC Awards for Excellence 2000-1

## Company/project

The Big Issue in the North Ltd  
The Day Chocolate Company  
Chelsfield MH Investments (Merryhill)  
Cook's Delight Ltd  
Critters Farm Ltd  
Barques Design Limited  
Nambarrie Tea Company Ltd  
Happy Computers  
Workspace Group Plc  
Original Eastern Foods Ltd  
Flag Communications Ltd  
Ringtel Electronics Ltd  
Phase Eight  
Eden Brown  
Entropy International  
FT Thames Valley Ltd  
Westfield Health Scheme  
Bettys & Taylors of Harrogate  
Advanced Systems and Support

## Other BITC Case Studies

South Yorkshire Cares  
Balsall Heath Forum  
Company Connections  
Shields Environmental  
Brighton & Hove Bus Company  
Family Assurance, Brighton  
KITE (Kinawley Integrated  
Teleworking Enterprise Ltd)  
Airedale Springs, Bradford  
The Pop Factory, Wales

## Campaign for Work/Life Balance

(<http://www.dti.gov.uk/work-lifebalance/case.htm>)

Market Monitor

Cambridge Advanced Electronics PLC  
Bindman and Partners  
FMW International Insurance Brokers  
Headlines  
Java  
Listawood Ltd  
Newham Community Trust  
TK-ECC Ltd

## CBI

Watford Electronics

## Everybody's Business

Communicopia.net (Canada)  
Hopkins Catering Equipment (Leeds)  
Grupo M (Dominican Republic)  
Hanna Anderson (Oregon, USA)  
Guido's Pizza (Idaho, USA)  
Nambarrie (Belfast)

**Good Corporation CSR case studies**

ARA Consulting  
Bovince Ltd, London  
Business in Sport and Leisure  
Hospitality Training Foundation  
Seaview Hotel and Restaurant

**Institute of Directors**

Easi-bind International  
Tite & Lewis  
The Phone Co-op  
Conquest Garages  
LTE Scientific

**IPPR (from A Welcome Engagement: SMEs and Social Inclusion)**

Benjamin Gough Ltd, Nottingham  
  
Kesslers International, London  
Skills Motor Coaches, Nottingham  
London City Airport

**Livewire**

EnergyTech, Swansea  
Innocent Drinks, London  
Quantum Technologies, Newcastle

**Small Business Service**

AssiDoman  
Travelsphere  
Lords Estate Agents  
Genesis Capital  
Forward Publishing  
Happy Computers  
FTL Company Ltd

**Useful case studies from BCC-hosted discussions**

Buchanan E-Mail Ltd (Aberdeen)  
HMG Paints Ltd (Manchester)  
Production Geoscience Ltd (Aberdeen)  
Wildgoose Construction (Chesterfield)  
S&G Services (Preston)

## Appendices

Appendix 1 - Sources for desk research

Appendix 2 - Reference Group members, Policy Interviewees and Best Practice Organisations

Appendix 3 - Participants in group discussions organised by British Chambers of Commerce

Appendix 4 – Quantitative Telephone Research, Topline Results

Appendix 5 - Research Consortium partners

# Appendix 1 - Sources for desk research

<b>Source</b>	<b>Document/project</b>	<b>Description</b>
AccountAbility (Institute of Social and Ethical Accountability)	The Ethical Explorer: an on-line tool for social and ethical auditing	Project proposal to develop an on-line social and ethical auditing product for the co-operative sector, social enterprises and non-profit organisations. AccountAbility advising on development of the project, managed jointly by New Economics Foundation and Poptel.
Business Community Connections	Connecting SMEs with the community	Explores how SMEs are responding to their own desires and calls from others to become more socially responsible.
BITC	Sparking Action (1993)	Report from Marketing Target Team on engagement of 1000 SMEs using direct marketing/mail techniques includes SPARK model (Select audiences and techniques carefully/Personalize approaches/Aim for precise geographical areas and time periods/Respond quickly and appropriately/Know your local partners
BITC	Awards for Excellence	Positive Impact Award (SME) entries
BITC	Community Mark	CSR accreditation scheme for SMEs
BITC	The Lambert Commentary	Richard Lambert's 20th Anniversary Dialogues essay highlights need to bring more SMEs into CSR.
BITC/Business Impact Taskforce	Starter Pack	Practical toolkit for SMEs (online at <a href="http://www.business-impact.org/bi2/starter/">www.business-impact.org/bi2/starter/</a> )
BITC/Business in the Environment (BiE)	Target list of BiE contacts and corporate environmental and social responsibility communications target list	Target lists of contacts in Business in the Environment campaign's communications network.
BITC/Education Team	Partners in Leadership, Right to Read Programmes	Right to Read engages employees in 1-to-1 reading activity with school pupils. Partners in Leadership is a headteacher mentoring programme.
BITC/Opportunity Now	Engaging small employers in Opportunity Now	Proposal for research (to be co-sponsored by Opportunity Now and Department for Education and Skills) to develop support materials for SME on gender issues
BITC North East	Not applicable	SME engagement on environmental issues in North East (anecdotal report)
BITC Northern Ireland	Not applicable	SME engagement in Northern Ireland (anecdotal report)
BITC West Midlands	Birmingham Business Groups Review: Final Report for Birmingham Economic Development Partnership	Evaluation report done by Business to Business Partnership on behalf of Birmingham City Council at end of Birmingham Business Group project. (anecdotal report)
BITC Yorks & Humber	Discussion Document for a draft strategy for: Regional Environmental Business Support In Yorkshire and Humber	Proposed strategy focuses on partnership between BITC and Business Links as delivery channel for environmental support of SMEs as well as broadening of the CSR agenda
BITC/Lloyds TSB	Neighbourhood Renewal Case Studies	Case studies of CSR partnerships in BITC's 40 regeneration action areas
BITC/NCVO/ Taskforce 2002	The Two Way Street: Towards partnerships for the mutual benefit of business and voluntary and community organisations	Assesses relationships between business and voluntary/community organisations and recommends actions to increase quality and extent of partnership. Taskforce 2000 seeks to develop relationships reflecting mutual interdependence and the ability of organisations to compete on equal terms.
BRASS (The Centre for Business Relationships, Accountability, Sustainability)	A Review of Recent Academic Research on Corporate Social Responsibility (CSR)(21 Nov 2001)	Academic literature review

Business Links/Winning Moves	Benchmarking study (name not available)	Working with DTI on benchmarking study of CSR among SMEs
British Journal of Industrial Relations	Flexible and Family-Friendly Working Arrangements in UK-Based SMEs: Business Cases	<b>Documentary summary:</b> Interest in researching flexible working arrangements has been growing as such practices have been heralded as the way to reconcile or balance the increased pressures of work and family life. Relatively little attention has been paid to the experiences of flexible working arrangements in small and medium sized enterprises. We report the findings of empirical work on ten small and medium-sized enterprises and four larger organizations. The reasons for introducing particular flexible working arrangements in SMEs were explored. Our findings show that business case reasons were used when introducing flexible working arrangements in both SMEs and larger organizations, although in different ways.
Commission for Racial Equality	CRE Wales Annual Report (July 2001)	Includes section on promoting racial equality to SMEs
Commission for Racial Equality	New guide launched to promote good equality practice in small firms (Press release 9 Nov 1999)	First joint initiative of its kind by the Equal Opportunities Commission, the Commission for Racial Equality and the National Disability Council the good practice guide aimed at helping small firms deal with equal opportunities launched by Patricia Hewitt (then Minister for Small Firms and E Commerce)
Corporate Citizen + BITC CCI team	"Corporate fog: Unclear policies scupper local directory of companies' community support," by Jane Butler, Corp Research Worker, Wiltshire Charities Information Bureau (01380 729279). (Issue 32, Spring/Summer 2001, p. 22) + CCI Factfile CIB	Research project in 2000-1 by Wiltshire Charities Information Bureau analyzes patterns of corporate giving and highlights key barriers.
Corporate Citizen	SME 'good corporations' seek to promote business ethics (Issue 32, Spring/Summer 2001, p. 25)	Highlights 12 companies participating in pilot business ethics verification scheme devised by goodcorporation.com in conjunction with the Inst of Business Ethics
CSR Europe	Practical Examples of SMEs: design for sustainable development	Highlights challenges of sustainable development for SMEs, incl 25 e.g.s of sustainable SMEs from around the world.
CSR Europe	Enterprise and the Environment: highlights of the research and case study in Ireland	Summarises results of a project to assist SMEs in improving their environmental performance, together with the case study in Ireland.
CSR Europe	Employment of People with Disabilities in Small and Medium-Sized Enterprises	Focuses on improving access for people with disabilities to emp opps in SMEs, inc e.g.s from six Member States: France, Germany, Ireland, Netherlands, Spain, UK
CSR Europe	An Online Reporting Format for SMEs: Encouraging SMEs to report on their wider impact on society	Project focusing on helping SMEs understand social and environmental impacts + how to produce a low-cost social and environmental report
DTI	Promoting CSR in SMEs	Input to EC presidential conference on CSR (Nov 2001), calls for SME research, info exchange, training
Environment Australia	Environmental Reporting: Handbook for Small and Medium Size Businesses (Imelda Williamson, April 2001)	Handbook developed from a Public Environmental Reporting Extension Officer grant, based on format from SMEs regarding their most favoured format for receiving information and provides a concise guide to environmental reporting. ISO14001 certification standard highlighted.
Equality North West	Equal Opportunites Resources for Use by SMEs	These resources form part of the One Stop Shop for Equal Opportunities pilot. They are intended as a guide only and have been designed to support SMEs in the development of good practice in employment and service delivery. Linked from page promoting equal

Forum of Private Business	Responsible Business Practice (Corporate Social Responsibility)	opps practical advice ( <a href="http://www.objective3.org/equalop.htm">http://www.objective3.org/equalop.htm</a> )
Forum of Private Business	63rd Quarterly Survey of Private Business	FPB Discussion Paper prepared in response to policy interview questions for DTI project FPB face-to-face survey of SMEs conducted between July 2001 and September 2001 with FPB Members at their places of work. Topics included: 1) most important problems for the business; 2_ key concerns for private businesses; 3) information technology; 4) single currency (Euro); 5) employee training.
Good Corporation	CSR case studies (SMEs)	Case studies highlighting examples of CSR for SMEs
Grant Thornton	Annual study of SMEs (Grant Thornton Business Owners Council)	Research includes question regarding CSR among SMEs
David Grayson and Adrian Hodges	Everybody's Business: Managing risks and opportunities in today's global society	Practical handbook for managers includes chapter highlights emerging issues and provides signposts to resources for SMEs
Greening of Industry Network	Summary Report: INTERNATIONAL FORUM ON GREENING OF SMALL AND MEDIUM-SIZED ENTERPRISES	May 1998 Forum on on the Greening of Small and Medium-sized Enterprises organised by two Manchester-based organisations, the National Centre for Business and Ecology (NCBE) and the Centre for Research on Organisations, Management and Technical Change (CROMTEC). Over 100 people — businesspeople, academics and policy-makers from the North West of England — discussed the role of economic incentives, regulations and supply chain pressures in persuading SMEs to adopt better environmental management practices, joined by GIN members from 12 countries in Europe, North America and South East Asia.
Groundwork	Small Firms and the Environment 1998	Based upon a Groundwork-commissioned MORI survey and written by Professor Ann Smith of the University of Hertfordshire. The Report reviews the current attitudes of SMEs towards environmental issues and illustrates through a series of case studies the positive benefits which SMEs can gain when they take a proactive approach to improving their environmental management performance.
Home Office ACU/ProHelp	Free for all? A study of free professional help available to voluntary and community organisations (Tony Kerr)	Examines provision and take-up of free professional services (FPSs) + recommendations
Industrial Society	Corporate Nirvana – Is the future socially responsible?	Report (13.10.01) from Futures at The Industrial Society shows that the majority of UK professionals would turn down work from an employer with conflicting ethics
Industrial Society	Work & Parents task force consultation on flexible working requests: The Industrial Society response	As part of the government's extended consultation into 'family-friendly' policies – the Work and Parents: competitiveness and choice Green Paper ( <a href="http://www.dti.gov.uk/er/review.htm">http://www.dti.gov.uk/er/review.htm</a> ) - in June 2001 the government launched a taskforce to examine issues surrounding the creation and introduction of a new right for parent employees to request flexible working arrangements. This paper represents the Industrial Society response to the Green Paper.
IPPR (Inst for Public Policy Research)	A Welcome Engagement	Qualitative assessment of the role SME can play in "corporate social engagement" (helping to promote social inclusion) - pp. 18-22. Highlights what large cos can do to engage SMEs with CSR, pp. 17-18.
IBE (Inst of Bus Ethics)	Practice, Priorities and Ethics in Small Firms	Investigates SME vs. large company differences in social/ethical concerns.
Inst of Directors	Code of Professional Conduct	Code of Professional Conduct written to help company directors meet high standards of

Inst of Directors	Company Law Review: The 'Stakeholder' Debate (1999)	professionalism and ethics. Good Boardroom Practice guide outlines results of IoD members survey focusing on 1) the ability to take stakeholders into account; 2) transparency and accountability; and 3) specific needs of SMEs
Inst of Directors	Ethics in Business (1999)	Good Boardroom Practice guide presents results of IoD members survey investigating prevalence of ethical practices and codes of conduct.
Inst of Directors/HUB Initiative (10-year movement to enhance reputation of business through promoting enterprise with integrity)	HUB Initiative National Forum: Nationwide Market Research (Nov 1999)	Benchmarking study objectives: 1) evaluate the HUB national forum statement of the purposes and values of business; 2) gauge different stakeholder groups' perceptions of business; 3) measure the 'gap' between how stakeholders would behave if running a business and how stakeholders think business currently behaves; 4) benchmark key messages of the National Enterprise Campaign prior to launch
Inst of Directors	Sustainable Development: Improving competitiveness through corporate social responsibility (2001)	IoD Director's Guide includes essays on CSR by leaders of companies, NGOs and academics
Inst of Directors	"The good director: Back to school," <i>Director Magazine</i> , Jan 2002, pp. 20-1	Highlights avenues for community engagement - including SMEs - through education-business partnerships.
Iowa State University	Terry Besser et al., "Community Values and Marketing Strategies" in <i>Reciprocity in the rural community and in the marketplace</i> , No. 5 (March 1999)	Study (1,000 small business owners in 30 Iowa communities interviewed by phone) examined community values of small business owners/managers to determine how their values affect their marketing strategies.
Investors in People	No barriers to change for directors who put people first	Press Release promotes IiP standard as tool for helping IoD members manage change
Investors in People	Investors in People UK Appoints Tony Robinson as Small Business Champion	Press Release announces appointment of Tony Robinson, Chairman of the Small Firms Enterprise Development Initiative (SFEDI), as its Small Business Champion.
Investors in People	Review of Training and Management Development in SMEs in the UK and Europe	TEC National Council report reviews training and management development in small cos (10 - 499) in UK, France, Germany, Italy, Spain
Investors in People	TECs and Small Firms Training: Lessons from Skills for Small Businesses	Research was conducted to examine how well the two-year Skills for Small Business initiative - introduced in 1995 - has worked and the lessons to be learnt from it
Investors in People	Strategies used by Industry Training Organisations to Influence Employers	The research is a qualitative piece of work to help determine why the strategic interventions of some Industry Training Organisations are more effective than those of others.
Livewire	People, Planet and Profits: Sustainable Development	Leaflet defines "sustainable development" and outlines the basic SD audit
Mazars Neville Russell	Trends in corporate social responsibility among mid-corporates (£100m to £500m turnover)	Survey of CSR attitudes and giving among 150 medium-sized companies
MORI/BCC	Business Community Partnerships: Fact or Fiction (March 2001)	Assesses relationships between charities and companies, incl best practice recommendations
MORI	SMEs' attitudes to social responsibility (July 2000)	Identified SMEs' attitudes to CSR and measured current involvement
Network for Environmental Management and Auditing, UK	SMALL AND MEDIUM-SIZED ENTERPRISES AND THE ENVIRONMENT: BUSINESS IMPERATIVES (Feb 2000)	Dr Ruth Hillary brings together an international collection of experts from government, international and national support agencies, academics and the business community to present arguments about key environmental business imperatives facing the small-firm sector.
Omega Alpha/Dr. Simon Davey	Beyond SMEs	Consultation paper outlining factors impacting employee community involvement in SMEs

Project Sigma	Partnership between BSI, AccountAbility and Forum for the Future	Social sustainability research examines management tools, techniques, guides, principles and standards
Small Business Service	Regular survey of small business' opinions/First Survey - Final Report August 2001	Survey of SMEs was undertaken primarily to gauge their needs, concerns and barriers to fulfilling their potential.
Small Business Service	Encouraging responsible business (David Irwin, 2002 (forthcoming))	Practical advice and case studies for businesses to improve positive impact
UEAPME (European Association of Craft, Small and Medium-Sized Enterprises)	UEAPME Draft Position Paper on the Green Paper "Promoting a European Framework for Corporate Social Responsibility"	UEAPME response to European Commission Green Paper on CSR
Univ of Brighton	CommunityMark Evaluation Report (Nov 2001)	Univ of Brighton School of Information Management conducted evaluation (primarily semi-structured interviews with pilot companies and key advisers) of CommunityMark scheme and made recommendations as to how processes might be improved.
Univ of Brighton/CENTRIM		Study examines business case for SMEs working with local schools or colleges

## **Appendix 2 - Reference Group members, Policy Interview subjects and Best Practice Organisations**

### **Reference Group**

#### Attendance at Institute of Directors on February 21, 2002

Thomas Dege, The Phone Co-op  
Andrew Silberberg, Tite & Lewis  
Brian Archer, Business Link for Essex  
Jilly Cosgrove, Barques Design Ltd  
Don Blackwood, Bovince Ltd  
Rex Tyler, Cooks' Delight Ltd  
Khaieng Tyler, Cooks' Delight Ltd  
Kika Dixon, The Divine Chocolate Company Ltd (to be confirmed)  
Gordon Shields, Shields Environmental (to be confirmed)

#### Virtual members

Michael Large, Conquest Garages  
Colin Perry, LTE Scientific Ltd  
Stella Lee, Critters Farm Ltd  
Naomi Harold, Westfield Health Scheme  
Joanna Birch, Merry Hill  
Harry Skidmore, Easi-bind International

### **Organisations participating in policy interviews**

#### Government:

Small Business Service  
Inter-governmental CSR group  
Parliamentary CSR group  
DG Enterprise, European Commission  
DG Employment & Social Affairs  
Scottish Enterprise

#### Business/SME specialists

CBI SME committee  
CBI policy  
Federation of Small Businesses  
Forum of Private Business  
IOD Policy Unit Director  
Enterprise Insight (based at CBI)  
Livewire/Project North East

#### Non-governmental organisations

Brighton & Hove Business Community Partnership  
Investors in People UK  
Commission for Racial Equality  
Equal Opportunities Commission  
Equality NorthWest  
Industrial Society

## **Appendix 3 - Participants in group discussions organised by British Chambers of Commerce**

### **Aberdeen and Grampian Chamber of Commerce - 11th February 2002**

Cailean Forrester	Inspectshire
Mary Williams Edgar	Buchanan E-Mail Ltd
Neil Knowles	IGL Engineering
Per Arno	Satrosphere
Henry Allen	Production Geoscience Ltd
Mick McKie	The Big Picture
Sandy Boak	Lighthouse
Neil Watson	NW Graphics Ltd
Jeff Reilly	Imajica Ltd
Vic Baxter	DBM plc

### **North Derbyshire Chamber of Commerce – 13<sup>th</sup> February 2002**

Graham Middleton	Wildgoose Construction
Denise James	Total Waste
John Revell	CSG
Ron Eyley	Peak Media Services
David Crabb	WCR
Patricia Crabb	WCR
Paul Terry	Office Furniture 2000

### **Manchester Chamber of Commerce – 19<sup>th</sup> February 2002**

Laura Tipple	Triangle
Joanna Tong	Business Links
Ron Eaglesfield	The Charity Service
Catherine Frys	Combined Power Ltd
Elaine Wood	Combined Power Ltd
Peter Heginbotham	Davis Blank Furniss
John Lewis	Seven Seas Knitwear
Joanne McLeod	Law Society
Marie Mohan	Common Purpose
Alison Patterson	HMG Paints Ltd
Kenny Boyd	Marketing Manchester

### **Central & West Lancashire Chamber of Commerce – 21<sup>st</sup> February 2002**

David Bowker	Enterprise plc
Kath Cordingley	Genesis Environmental Management
Jonathan Gorick	Industrial Copolymers
Avril Fowler	John Fowler & Son
Mike Lewis	Lancashire Ambulance Service
David Pollard	Landmark Environmental
David McDougall	Quest International
David Hallam	Quest International
Neera Shukla	R&G Services Ltd
Harsh Shukla	R&G Services Ltd
Danny Martland	BAE Systems Ltd

### **Hastings & St Leonards Chamber of Commerce – 25<sup>th</sup> February 2002**

Graham Marley	1066 Enterprise
Jeremy Green	1066 Enterprise
Paul Evans	Marshall Tufflex
Gary Dyer	Dyer Commercial
Gary Mills	Gapp 66
Steve Milton	Denaploy Ltd

## Appendix 4 - Topline Results from Telephone Interviews among 200 SMEs

**Q1 To start with, please can I ask what motivates you to run your business?**

SPONTANEOUS RESPONSES

	%
Being independent	11
Employing people	12
Addressing a niche in the market	5
Wanted to reflect my own principles/ values in business	8
To be part of the local community	2
A greater sense of personal achievement	26
To get rich	15
To impress people	1
To earn a decent living	51
Other [PLEASE SPECIFY]	21
Don't know	3

**Q To what extent do you agree or disagree with the following statements. For each, please could you say whether you strongly or tend to agree or disagree. . . .**

		Strongly agree	Tend to agree	Neither agree/ nor disagree	Tend to disagree	Strongly disagree	D/k
		%	%	%	%	%	%
Q2	Small and medium sized companies should pay significant attention to their social and environmental responsibilities	37	49	8	6	2	0
Q3	Some people say that if an organisation is socially and environmentally responsible, it is more likely to be a successful business. To what extent do you agree or disagree?	24	43	11	17	6	0
Q4	Some people say that if an organisation has responsible business practices, it is more likely to be a successful business. To what extent do you agree or disagree?	57	35	4	0	0	1

**Q To what extent would you describe your business as . .**

		A great deal	A fair amount	A little	Not very	Not at all	D/K
		%	%	%	%	%	%
Q5	having responsible business practices?	56	40	3	1	1	1
Q6	being socially and environmentally responsible?	43	48	6	1	2	2

**Q7 In which of the following areas do you believe it is important for small and medium sized organisations to be involved?**

**Q8 And in which of the following areas, is your company involved?**

	Important	Involved
	%	%
Reducing environmental impact	77	65
Waste reduction and recycling	80	70
Encouraging skill development among staff	87	87
Encourage a healthy work/ life balance among staff	79	76
Taking responsibility for the health and wellbeing of staff	78	78
Ensuring a mutually beneficial relationship with society and your business	75	69
Being active in the local community	56	53
Working with charities or the voluntary sector	42	52
Work with local schools, colleges or universities	63	60
Investing in deprived or run-down areas	25	15
Engaging with traditionally excluded groups, such as the long-term unemployed or homeless	34	18
Ensuring that products sourced from overseas are produced in an ethical manner	51	27
Reflecting the ethnic make-up of the community in which you operate	58	48
None	0	2
Don't Know	1	0

ALL THOSE INVOLVED IN ANY ACTIVITIES (104)

**Q9 And what are your motivations for your involvement in these areas?** SPONTANEOUS RESPONSES

	%
Good public relations/develop a good business image	30
Work with/ give back to the community	21
Relationship with staff/employee satisfaction	28
Financial reasons/ success	10
Good business practice	37
Ethics/Integrity	14
Commitment to reducing the company's impact on the environment	9
A better future for the community/children/everyone	14
Other	12
None/No answer	2
Don't know	4

ALL NOT INVOLVED IN ACTIVITIES (9)

**Q10 And what do you feel are the barriers to further involvement in these areas?** SPONTANEOUS RESPONSES

	%
Cost/impact on profits	22
Lack of time	11
Bureaucracy/red tape	11
Resource Constraints	0
Lack of awareness of these issues	0
Apathy within society	0
Lack of motivation of rest of management	0
Lack of interest from staff	11
Don't know enough about these areas	0
Don't know enough about how to get involved in these areas	0
Don't know where to go for information	0
Can't see the payback	0
None – not interested	11
Other	33
Don't know	11

ALL THOSE INVOLVED IN ANY ACTIVITIES (104)

**Q11 To which of the following audiences do you communicate with about what you are doing in this area:**

	%
External shareholders	16
Suppliers	49
Customers	67
Employees	84
Government (local or central)	31
Trade press	29
The local community in which you operate	41
Local or regional press	31
None	8
Don't Know	0

**Q12 People tend to describe the collective term for all of the activities we've been talking about (such as community, environmental and social activities) in different ways. What phrase would you use to describe this? SPONTANEOUS RESPONSES**

	%
Corporate social responsibility	24
Responsible business practice	20
Community involvement	13
Environmental involvement	3
Business sense	6
Beneficial relationship with society	5
Normal business practice	5
Sustainable development/ business practice	3
Values-driven	2
Social/ societal engagement	7
Other [PLEASE SPECIFY EXACT WORDING USED]	24
Don't know	19

**ASK ALL**

**Q13 In the last 12 months, which of the following have you experienced. . .**

	<b>Yes</b>	<b>No</b>	<b>D/K</b>
	<b>%</b>	<b>%</b>	<b>%</b>
A large company customer asked you to satisfy them on your <u>environmental standards</u>	43	57	1
A large company customer asked you to satisfy them on your <u>commitment to or involvement with society and the community</u> in which you operate	16	84	0
A large company customer asked you to satisfy them on your <u>health &amp; safety working practices</u>	60	40	0
Any complaints about the organisation alleging discrimination	5	95	1
Winning a competitive bid where you have talked about your principles and values	44	55	1
A significant re-think on work patterns within the organisation	40	59	1
Discussions internally about responsible business practices	84	16	1
An external shareholder asked you about your social and environmental practices	6	91	4

**Q14 One of the purposes of this project (being conducted on behalf of the DTI) is to help small and medium sized enterprises further engage in this area. Which of the following would be of most help to you and your business?**

	%
Talk to a locally-based broker/ business club	29
Be provided with a range of case studies illustrating small business involvement	40
A list of guidelines on how to get involved	46
A checklist or menu to look at what you could get involved with	60
Advice on the business & Commercial advantages	47
Advice through a web-based service	51
All of the above	3
None	13
Other [PLEASE SPECIFY]	4
Don't know	0

**Q15 And who would be best placed to do this? SPONTANEOUS RESPONSES**

	%
Central government	14
Local government	19
Small business clubs	5
Business Links	12
Federation of Small Business	5
Chamber of Commerce	17
Business in the Community	4
Institute of Directors	11
Forum of Private Business	1
Federation of Small Businesses	5
Ethnic Minority Business Forum	1
CBI (Confederation of British Industry)	4
A trade association	6
Local community or regional business group	2
A special association set up to address these issues within small businesses	2
Professional business advisors (eg Accountants and Banks)	1
None	9
Other (please specify)	15
Don't Know	15

**Q16 Which of the following groups are you involved with or a member of?**

	%
Small business club	11
Business Links	36
Federation of Small Business	18
Chamber of Commerce	48
Business in the Community	10
Institute of Directors	56
Forum of Private Business	7
Federation of Small Businesses	8
Ethnic Minority Business Forum	1
CBI (Confederation of British Industry)	14
A trade association	58
Local community or regional business group	17
Other (please specify)	6
None	7
Don't know	1

**Q16a Does your business apply or use any business models? If so, which?**

	%
European Foundation for Quality Management (EFQM)	2
British Quality Foundation (BQF)	1
Investors in People (IIP)	16
Any ISO quality accreditation	16
Any other models (specify)	6
None	67
Don't Know	3

**Q17 Would you describe your enterprise as a family business?**

Yes	No
%	%
55	45

**Q18 And do you have any external shareholders?**

Yes	No
%	%
22	78

**Q19 Thank you for your time in taking part in this interview. All of your answers will remain confidential and none will be able to be traced to you. However, we would like to be able to provide a list of organisation who have taken part in the study. Would you be willing for your name to be included in this list?**

Yes	No
%	%
79	21

**Q20 And would you be interested on receiving a report of this project's findings?**

Yes	No
%	%
83	17

**GENDER:**

Male	87
Female	17

- END -

## Appendix 5 - Research Consortium partners

### **Business in the Community**

Business in the Community (BITC) is a national organisation whose members are committed to improving their positive impact on society. In addition to its 700 member companies, Business in the Community also operates the ProHelp network involving over 900 professional firms which provide pro bono services to the community.

BITC has extensive experience of engaging the SME sector through its regional operations, with links in specific locations across the UK where SME involvement has been secured.

Business in the Community has also been piloting the **CommunityMark** scheme which gives recognition to local SMEs for their community involvement. BITC also recognises the social contribution of SMEs through its **Positive Impact Award**, part of BITC's annual **Awards for Excellence**, the most prestigious awards for corporate social responsibility (CSR) in the UK.

The project team included Peter Davies, Charlotte Hines, Peter Lambert and Melody McLaren. In addition, David Grayson acted as adviser to the project and the consortium.

### **The British Chambers of Commerce**

The British Chambers of Commerce represents through its network of 60 accredited Chambers nearly 135,000 businesses, both large and small and drawn from all sectors of the UK economy.

Chambers are formal partners in externally funded, area-based regeneration schemes. These range from Northampton Chamber's involvement with five Single Regeneration Budget programmes and Corby's Urban Regeneration Company, through to Oldham Chamber's work on engaging minority ethnic communities. Chambers are partners in the running of town centre management and employment initiatives, facilitators of environmental and sustainable development programmes and educators and trainers. Key examples are Barnsley's not-for-profit business community company aimed at tackling crime and decreasing deprivation and Liverpool Chamber's role in supporting the Merseyside community investment fund. All these programmes directly involve local businesses with community programmes that have both economic and social outcomes.

Chambers will also be involved with the new Government-funded 'Business Brokerage' projects, aimed at increasing the quality and quantity of business involvement in deprived neighbourhoods.

The project team included Kirsty McHugh and Ian Fletcher.

## **Institute of Directors (IoD)**

The IoD is a non-political organisation of individual members whose aim is to help directors to fulfil their leadership responsibilities in businesses and other important organisations. The majority of the membership is drawn from right across the business spectrum - from start-up companies and small or medium-sized enterprises to directors from The Times Top 1000 Companies. In the UK, there are now some 55,000 IoD members, in organisations employing over 10 million people. The IoD promotes the issues and best practices around CSR to its members primarily through its training and development programmes for executive and non-executive directors including the Chartered Director professional qualification, the Independent Director initiative and its other courses and conferences. The IoD has produced and been involved with published material on issues pertaining to CSR including the IoD's Sustainable Development Guide, sponsored by the DTI and the recently published Economist Book on Business Ethics. The IoD is also one of the main contributors to the forthcoming GEE publication on CSR. In addition, the Director magazine regularly features articles on responsible and ethical issues in business.

The IoD was represented on the SMEs sub-group of the UK round table on Sustainable Development and also make regular contributions to various conferences and seminars on CSR. The project team included Lord Newton of Braintree, Tony Renton and Dr Daniel Summerfield.

## **AccountAbility**

AccountAbility is the pre-eminent international, professional institute active in the field of social and ethical accountability. Its mission is to enhance social, ethical and overall organisational performance by developing and promoting effective tools and professional expertise, and by advocating an effective enabling environment for organisations to embrace the accountability dimensions of sustainable development. AccountAbility's individual and organisational members include small and large businesses, non-for-profit organisations, consultancies, accountancy practices and other service providers, and research institutions and academics. Its work is informed by its membership through its elected international Council that represents diverse perspectives and expertise.

AccountAbility's work embraces four main areas:

- Developing and promoting practical tools and standards, including the core AA1000 Series stakeholder-based accountability guidelines. The revisions of AA1000 in 2002 include the development of a special module for SMEs and social accountability.
- Professional development, including accreditation of training programs and individual certification.
- Leading edge action-research, including currently Innovation through Partnership, Gradient and Conversations with Disbelievers
- Connecting practitioners across the world, virtually through our dialogue-based web facility and through an extensive program of events.

The project team included Mike Peirce and John Sabapathy.

