

Report

Engaging Small Business in Corporate Social Responsibility

A Canadian Small Business Perspective on CSR



CANADIAN BUSINESS FOR
SOCIAL RESPONSIBILITY

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Engaging Small Business in Corporate Social Responsibility

Executive Summary

“CSR is recognizing when you are in a position to do good.”
- Small business representative

Canadian Business for Social Responsibility (CBSR) has undertaken this study to better understand the unique business realities, challenges and opportunities of small and medium-sized enterprises (SMEs) in practicing corporate social responsibility (CSR). Our research included conducting interviews with a number of small businesses in a wide variety of industries. We asked these businesses a range of questions about their perspectives on CSR and their experience integrating CSR practices into their organization. The following is a summary of our key findings.

Definition of corporate social responsibility – Not “corporate” at all

The SMEs that participated in this study recognize their responsibility to their employees, their community and the environment. They define CSR informally. Their understanding of this concept is largely influenced by the personal values of the business owner/s or the CSR champion in the company. Often this definition is implicit, and not necessarily reflected in a formal company-wide commitment.

Responsible business practices in SMEs – Doing good without knowing it

Small businesses engage in a range of socially and environmentally responsible business practices, often without recognizing they are doing so. Several of our interviewees did not consider their practices to be particularly “responsible”, just good business.

Many of the SMEs included in this study began their CSR efforts with a range of environmental initiatives. For most, these initiatives were small but important steps, such as changing the type of paper purchased or conducting an environmental audit to identify improvements they could readily make. For some, the environmental initiatives were more far reaching; for example, two companies had looked at their product or service lines with a view to minimizing their environmental impact through their core business. Several of the organizations we interviewed strive to source environmentally friendly products from their suppliers, despite the premium prices such purchasing decisions often entail.

In terms of community engagement, we found a remarkable range in activities. At one end of the spectrum, we found the smaller and lower-profile companies to have few, if any, community initiatives underway. At the other end of the spectrum, the larger and higher-profile companies have strong links to their community, and as such have more comprehensive community initiatives.



The emergence of CSR in SMEs – In their own time and way

Adopting CSR is a gradual process for SMEs. They take on new activities only when it is financially feasible, when time permits, or if there is explicit consumer demand for the company to address its social and environmental impacts. When the aforementioned elements are in place, SMEs rarely involve key stakeholders in the development and implementation of their CSR initiatives. This is not for lack of interest, but because they lack the time to identify and engage their stakeholders. In some cases, stakeholders will self-identify and approach the SMEs with specific complaints and/or suggestions. In fact, several of the company representatives interviewed clearly indicated that it was through substantial stakeholder support that they were able to fully embrace large environmental initiatives in their operations. Without this support, these initiatives would not have been undertaken.

Motivation for implementing CSR – It's the right thing to do

In the SME context, the shift to a CSR focus often originates from an owner or long-term employee's personal values or when there is an expressed appetite for sustainable operations and products among customers and business partners. Interestingly, many SMEs engaged in CSR did not venture down this path because they expected that their business would benefit from these actions; rather, they chose a CSR direction because it is the right thing to do.

Business benefits of CSR – Intangible benefits abound, tangible ones are near

All of the SMEs interviewed experienced business benefits as a result of their CSR initiatives. This is interesting when one considers that deriving business benefits was not a deciding factor for any of these companies to undertake CSR. One of the most consistent benefits cited was the competitive advantage they felt resulted from their CSR initiatives, something they expect will only grow in the future as consumer purchasing trends demonstrate the public's increasing demand for ethical products and services.

Core challenges – Costs, resources and time

Although the SMEs included in this study were of different sizes and industries, our research revealed that these companies face common challenges when developing and implementing CSR initiatives. Specifically:

1. The cost of implementing CSR is high, particularly in the primary resource and manufacturing sectors, where the cost of industry regulations and technical overhead is perceived to be onerous.
2. Sourcing environmentally friendly products is problematic due to limited availability. SMEs rarely have the purchasing power to influence their local suppliers to provide environmentally and socially responsible products.
3. While purchasing trends show a shift in demand to more socially and environmentally responsible products and services, the bulk of consumers do not yet make their purchasing decisions according to this criteria. Educating consumers on the impacts of their purchasing decisions is difficult, and makes it less appealing for SMEs to shift their products / services to being more socially and environmentally responsible.
4. Internal communications and training for employees on CSR practices is challenging for SMEs due to resource constraints and the lack of affordable, external support.



Support for SMEs – Make it relevant, proactive and easily accessible

To help them overcome these challenges, SMEs at all stages of CSR implementation indicated they need resources that provide comprehensive information that goes beyond what is available through existing informal networks and the internet. Their suggestions included workshops to learn from peers that have developed and implemented CSR initiatives in their own companies; access to communications specialists, with both internal and external communications support; strategic consulting on how to build a successful CSR organization; access to consultants; and, tools that calculate the results and metrics of their CSR initiatives.

Looking ahead – Expanding CSR practices

From our conversations with representatives of SMEs engaged in CSR, their strong commitment to continued CSR efforts is evident. They are looking for guidance in these efforts, however, and at this point, are not yet receiving the support they need to take their CSR commitments to the next level.

Key Recommendations and Considerations

From our research findings, we have gleaned the following insights and recommendations. For clarity, we have organized our recommendations into three groups:

- Recommendations for SMEs;
- Recommendations for organizations engaging and supporting SMEs; and,
- Considerations for large businesses engaging the SMEs in their supply chain.

Recommendations for SMEs

- Seek out beneficial relationships with key stakeholders.
- Involve your employees in identifying current CSR practices.
- Celebrate the CSR initiatives you already have underway.
- Focus on low cost CSR initiatives.

Recommendations for organizations engaging and supporting SMEs

- Use terminology that is familiar to SMEs.
- Work collaboratively with industry associations and NGOs to approach SMEs.
- Provide support to SMEs throughout the initial stages of CSR implementation.
- Gather data on the business case for CSR in the SME context and use this information to motivate profit driven business leaders to engage in CSR.
- Create concise resources and practical “how to’s” for implementing CSR.
- Provide access to professional advice that can help SMEs promote their environmentally or socially responsible product choices both internally (to employees) and externally (to NGOs, customers and the community), through cost effective peer learning sessions that include training, networking and coaching.



Considerations for large businesses engaging the SMEs in their supply chain

- Recognize that SMEs want to do the right thing.
- Acknowledge that SMEs adopt CSR gradually, not overnight.
- Consider that SMEs require support for their CSR initiatives.
- Realize that SMEs do not use the same management frameworks that large companies use.

What CBSR will do moving forward

CBSR is committed to serving the SME community in its CSR initiatives. The following are actions we plan to take in this effort:

- Create a “one stop shop” for SMEs to learn about CSR: the SME Centre for Leadership and Innovation.
- Conduct a proactive and positive outreach program to attract SMEs to the Centre.
- Create a management tool to enable SMEs to assess their current CSR practices.
- Contact associations active in engaging SMEs in CSR initiatives to collaborate in supporting SMEs.
- Develop a multi-set of tools for SMEs.
- Gather and distribute information on the business benefits of environmentally and socially responsible practices in the SME context.
- Create a forum for sharing and hearing inspiring stories from SMEs that have heightened the success and enjoyment of their work through CSR.
- Conduct further research with SMEs that investigates various vehicles through which CSR support can be delivered in greater depth.

CBSR’s next steps are to analyze the recommendations in this report to inform a decision on how best to engage SMEs in CSR. The CBSR team, along with its advisors and a sampling of its SME members, will use this report to generate ideas for the creation of an action plan for the best method of engaging SMEs through the SME Centre for Leadership and Innovation.



Engaging Small Business in Corporate Social Responsibility

Introduction

Corporate social responsibility (CSR) is now a familiar concept for big business. Many large companies are allocating time and resources to explore CSR, implement CSR initiatives, and communicate their CSR commitment. While CSR is not an easy journey for any company, larger companies typically have more resources to allocate to these efforts than do their smaller counterparts. For small and medium-sized enterprises (SMEs), often strapped for time, money and resources, CSR presents quite a different challenge.

To date, few resources have been allocated to supporting SMEs in their efforts to become more socially and environmentally responsible. Canadian Business for Social Responsibility (CBSR) has undertaken this study to better understand the unique business realities, challenges and opportunities of small and medium-sized enterprises (SMEs) in practicing corporate social responsibility (CSR). Our research included conducting interviews with a number of small businesses in a wide variety of industries and sizes. We asked these businesses a range of questions about their perspectives on CSR and their experience with integrating CSR practices into their organization.

Who is CBSR?

Canadian Business for Social Responsibility (CBSR) is a non-profit member organization of Canadian businesses working to improve their social, environmental and financial performance. CBSR provides tactical and practical advice on implementing CSR and helps connect companies and stakeholders in the growing CSR community. Founded in Vancouver in 1995, CBSR's primary agenda is to advance CSR in Canada through research, education programs, CSR business tools and advisory services.

CBSR's membership is over 100 businesses strong across Canada and has representation from a wide variety of industries and both small and large business. The majority of our members (about 75%) are small and medium sized businesses.

Engaging SMEs in Corporate Social Responsibility

The SME market comprises approximately 90% of Canadian businesses and employs almost half of the Canadian workforce. Through the integration of CSR in this large group of businesses, we see enormous opportunity to increase the positive impact of business on the Canadian economy, our communities and the environment.

To date, few resources have been allocated to support SMEs in their efforts to become more socially and environmentally responsible. This lack of support is a barrier for many SMEs interested in pursuing CSR initiatives. Through this study, CBSR explores the most effective methods for engaging Canadian SMEs in CSR:

- What motivates SMEs to engage in CSR?
- What kinds of CSR initiatives are they pursuing?
- What challenges do they face in implementing CSR?



- What kind of support do they need to take their CSR commitments to the next level?

BC Hydro, recognizing the importance of engaging SMEs in CSR, provided funding for CBSR to conduct research with small businesses to help us further understand the unique business realities, challenges and opportunities for SMEs engaging in CSR. The information contained in this report provides us with valuable first-hand insight into SMEs' understanding of CSR, and their current practices, challenges and opportunities.

CBSR's specific goals for this research project are to:

- Understand the unique operating environment for small and medium-sized business;
- Identify opportunities for and barriers to improved social and environmental performance for SMEs;
- Provide valuable insights for the broader business community and organizations working with SMEs; and,
- Strengthen CBSR's ability to deliver information, support, and materials to Canada's small business community.

CBSR will use the findings from this research to determine how best to engage this growing sector through the SME Centre for Leadership and Innovation.

SME Centre for Leadership and Innovation

CBSR received seed funding from Coast Capital Savings to develop the SME Centre for Leadership and Innovation. The Centre is a vehicle for our support of SMEs in their adoption of CSR practices. Through the Centre, CBSR plans to deliver workshops, peer learning sessions, and hands-on support applicable to the realities of small business. To complement these learning opportunities, Western Economic Diversification provided funding to develop toolkits for the integration of CSR into SME business practices.

CBSR has the opportunity to take a leadership role in engaging SMEs in CSR through its SME Centre for Leadership and Innovation. Through this forum, we will introduce small businesses to CSR and encourage SMEs already engaged to continue on their journey to social and environmental responsibility.

Key Assumptions

This research represents our work with a select number of businesses. It is an introductory piece that will provide the foundation for further exploration and support of SME engagement in CSR. The research findings in this paper do not represent all small businesses in British Columbia, nor do they represent all small businesses engaged in CSR. The findings provide a snapshot of how several small businesses in British Columbia are integrating CSR practices into their workplaces, and what motivated, supported or hindered their efforts. Please see Appendix B for a description of our research methodology.

We used the following criteria to identify interview candidates (information on the specific companies interviewed can be found Appendix A):

- **Based in British Columbia** – All of the SMEs in our sample are based in British Columbia.
- **Interested in CSR** – All of the companies interviewed are interested and engaged in CSR. They are all implementing CSR in their businesses; some are at the beginning of this process, others are more seasoned CSR champions.
- **Established businesses** – All of the companies included have been in business for at least ten years.



- **Employ fewer than 50 people¹** – The majority of the SMEs interviewed employ fewer than 50 people. Three of the companies employ between 50 and 100 people.
- **Traditional businesses, not mission based** – The companies in our sample did not go into business for the purpose of creating social or environmental change. They are traditional businesses that adopted CSR practices at some point after their conception.

¹ There are a number of different opinions on what constitutes a “SME”. BC Statistics defines SMEs as companies with fewer than 50 employees. The Ethics in Action Awards includes all companies with fewer than 250 employees in their SME definition. The SOHO Business Group, a small business membership association, only considers those companies with up to ten employees to be SMEs.



A Small Business Perspective on Corporate Social Responsibility

For this paper, we interviewed ten small business representatives about their perspectives on CSR and their experience integrating it into their companies. The following are the key themes that emerged from our interviews.

Definition of corporate social responsibility – Not “corporate” at all

“We have a responsibility to the public, to the environment and to our staff.”

Overall the term **corporate social responsibility (CSR)** does not resonate with SMEs. To them, it does not reflect their hands-on involvement with the community, their environmental concerns and their relationship with other stakeholders.

Small businesses tend to **define CSR informally**. Their understanding of this concept is largely influenced by the personal values of the business owner/s or the CSR champion in the company. In most cases, CSR is not formalized in a company-wide commitment. In all but one of our interviews, the definition of CSR was formulated during our conversation rather than taken from any specific company documentation.

Most SMEs, whether they are new to CSR or fully engaged, grasp the depth and breadth of the concept. All of the SMEs interviewed acknowledged and **recognized their responsibility to the community and the environment**. Another highly valued stakeholder group to small businesses are employees. SMEs interested in CSR **recognize that employee health and happiness is integral to their success** and growth.

Representatives from the tourism and resource industry companies revealed that their **commitment to CSR is long-term**. Interestingly, in our study those industries directly reliant on a healthy natural environment were the ones more likely to clearly see the negative impacts that unsustainable operations could have on their business in the future.

Responsible business practices in SMEs – Doing good without knowing it

“We take into account what employees want.”

Small businesses engage in a range of socially and environmentally responsible business practices often **without recognizing they are doing so**. When asked “What business practices or products do you consider to be socially or environmentally responsible?” the respondents often cited only one initiative. When probed further they listed a number of CSR activities underway that they did not consider to be “socially responsible”, just good business.

The interviewees noted having CSR initiatives underway in the following three areas:

- **Employees**
As mentioned in the last section, good employee relationships are regarded as integral to the success of small business. All of the companies in our sample **take pride in treating their staff well**. Having loyal and long-term staff seems to be a prerequisite for any successful CSR initiative. One interviewee revealed that CSR practices emerged as a result of having a strong core team of long-term personnel and a committed management group.



- Environment

Many of the SMEs included in this study began their CSR efforts with **a range of environmental initiatives**. For most, these initiatives were small but important steps, such as changing the type of paper purchased or conducting an environmental audit to identify improvements they can readily make. For some, the environmental initiatives were more far reaching; for example, two companies had looked at their product or service lines with a view to minimizing their environmental impact through their core business. An aquaculture company shifted its entire product line to land-based salmon farming. Likewise, a construction company shifted its services to “green and healthy” home renovations.

Several of the organizations we interviewed strive to source environmentally friendly products from their suppliers, despite the premium prices such purchasing decisions often entail. **Sourcing alternative products is a difficult endeavour for SMEs** due to their minimal amount of purchasing power relative to that of big corporations.

- Community:

In terms of community engagement, we found a remarkable range in activities. At one end of the spectrum, we found the smaller and lower-profile companies to have few, if any, community initiatives underway. At the other end of the spectrum, the larger and higher-profile companies had strong links to their community, and as such have more comprehensive community initiatives. They show this support by **donating a number of goods and services** to local organizations. Interestingly, the SMEs we interviewed do not consider this type of philanthropy anything more than just good business, while for corporations, philanthropy is often their first foray into CSR.

Two of the companies interviewed have **actively tried to change public policy** with the intention of minimizing their entire industries’ impacts on the environment. One of the latter businesses integrates its community engagement into its sales by including a \$2 donation in its service fee dedicated to conservation in that industry.

The emergence of CSR in SMEs – In their own time and way

“The world’s expectations are changing.”

Adopting CSR is a **gradual process** for SMEs. They take on new activities only when it is **financially feasible or when time permits**. Often strapped for resources, SMEs lack the time to seek out information on CSR.

All of the SMEs interviewed said that they **could not have implemented CSR any sooner** for a number of difference reasons including: the lack of financial resources, the time it took to learn about CSR, and the lack of consumer interest. If customers are not demanding that the company address its social and environmental impacts, there is little impetus for them to do so. A case in point is the tourism industry. A change in consumers’ expectations and a more sophisticated understanding of environmental issues strongly influenced their integration of more environmentally responsible business practices. One tour operator claimed that in one year customers went from asking how close they could get to the wildlife to asking how far away they should remain.

Several organizations have **launched a specific CSR initiative** to deal with CSR concerns rather than change their products and processes all at once. Many SMEs engaged in CSR feel that the current business climate is receptive to more socially and environmentally responsible products, services and business operations.

When asked if stakeholders were involved in the process of implementing CSR most organizations said “no”. **SMEs lack the time to identify key stakeholders** and involve them in dialogue unless the initial contact is made by the stakeholder group itself. There are two examples of this in the manufacturing industry. Both of the



manufacturing companies that we interviewed began to take a more formal approach to CSR at the encouragement of key stakeholders. These stakeholders provided enough support for the businesses to fully embrace large environmental initiatives in their operations. Without this support, these initiatives would not have been undertaken.

Motivation for implementing CSR – It’s the right thing to do

“We want to be the best at what we do.”

In the SME context, the shift to a CSR focus often **originates from an owner or long-term employee’s personal values** or when there is an expressed appetite for sustainable operations and products among customers and business partners. In many cases, the owner or a long-term employee felt that starting a CSR initiative was the right thing to do and that the business was in a position to do it. One business owner explained that he needed to re-energize himself in his work and that “greening” his projects made his work more enjoyable.

Many SMEs engaged in CSR did not venture down this path because they expected that their business would experience benefits from these actions, such as enhanced reputation or improved employee retention. While seeking benefits was not the primary motivator, all of the SMEs interviewed did in fact **experience business benefits from their CSR initiatives**.

An interesting anomaly in motivating factors is seen in the manufacturing industry. One company was strongly encouraged to pursue eco-efficiency measures by their industry association. They eventually embraced the initiative. Another manufacturing organization was approached by an NGO to adopt a specific environmental program.

While the motivation for these companies in the manufacturing industry came largely from external factors, the SMEs interviewed from the tourism industry had quite a different experience. Their CSR programs were largely **grassroots and employee-driven**. Often, tourism companies have a number of low-paying entry level jobs that attract young employees. With the global increase in public (and particularly youth) awareness of environmental issues, younger employees may be more likely to bring this awareness into the workplace.

Business benefits of CSR – Intangible benefits abound, tangible ones are near

“Employees really like what they are working on – it’s pioneering work.”

Most SMEs that have adopted CSR business practices have realized a number of **intangible businesses benefits**. The nature of the benefits vary but some common themes include increased profile and the creation of a market niche. A number of the companies interviewed believe that operating responsibly has given them a competitive advantage or will do so in the future because they perceive the public’s demand for ethical products and services to be increasing.

Both staff and management experience **personal pride and enjoyment** from working at socially and environmentally responsible organizations. The companies interviewed reported boosted staff morale, increased staff empowerment and decreased turnover.²

² Although they did not provide a quantitative result, the interviewees expressed a significant positive impact in these areas.



While CSR initiatives had a predominantly positive impact on staff morale there were some exceptions, especially in companies with lower paying jobs. These companies indicated that some of their lower paid employees were apathetic towards the CSR efforts of their company.

A conspicuous absence in the SMEs' list of benefits was cost savings. Most of the companies interviewed **have not yet experienced cost savings** as a result of their CSR initiatives, but believe they will in the future. Efficiency upgrades and other CSR investments generally cost more up front. Companies do not normally experience savings from these investments in the short term. An exception to this trend was found in the manufacturing industry; one company that focuses primarily on efficiency upgrades has decreased its expenses by reducing the amount of supplies needed during production.

Core challenges – Costs, resources and time

“With operations the way they are, it’s been difficult economically.”

Although the SMEs included in this study were of different sizes and industries, our research revealed that these companies face common challenges when developing and implementing CSR initiatives.

High implementation costs are a barrier to SME adoption of CSR practices. SMEs interviewed from the primary resource and manufacturing sectors perceive that burdens from industry regulations and technological overheads inhibit them from implementing CSR practices.

Sourcing environmentally friendly products is problematic due to limited availability. Small businesses lack the buying power of larger organizations and have to rely on local suppliers who might not stock alternative products. Being by nature small, SMEs are not normally in position to influence the nature of suppliers' products.

While purchasing trends show a shift in demand to more socially and environmentally responsible products and services, the bulk of consumers do not yet make their purchasing decisions according to this criteria.

Educating consumers on the impacts of their purchasing decisions is difficult, and makes it less appealing for SMEs to shift their products / services to being more socially and environmentally responsible. For the most part, business clients are bottom-line oriented and will often base purchasing decisions on price above other factors.

Internal communications and training for employees on CSR practices is a real challenge, particularly for larger SMEs. These organizations want to retain the existing enthusiasm for CSR initiatives in their organization, yet lack the resources to commit to internal communications.

Support for SMEs – Make it relevant, proactive and easily accessible

“A long list of websites and publications.”

Small businesses that have started with traditional operations and implemented CSR at a later date have **received very little support (moral, financial, commercial or technical)** while making this transition. Most SMEs rely on business partners, informal networks or internet research to learn about CSR.

Many industry associations offer only minimal assistance to SMEs for their CSR initiatives. Surprisingly this also includes the primary resource industry, which has very active networks. These groups focus on advocacy functions and safety issues, rather than CSR issues. The manufacturing industry does have local (BC) associations that are very supportive to SMEs that initiate environmental programs. This kind of support is not available to all types of manufacturing but was consistent in our sample. The construction industry has local and Canadian



associations and trade shows that have a number of resources on green building. One organization reported that joining CBSR opened a number of doors for them, including access to information and people.

When we asked SMEs “What could have helped you through your transition to CSR?” the responses varied. Suggestions included workshops to learn from peers that have developed and implemented CSR initiatives in their own companies; access to communications specialists, with both internal and external communications support; strategic consulting on how to build a successful CSR organization; access to consultants; and, tools that calculate the results and metrics of their CSR initiatives.

Looking ahead – Expanding CSR practices

“CSR is an ongoing pursuit.”

SMEs that have begun the journey towards CSR are **committed to continuing that journey**. Many small businesses plan to continue implementing CSR in their company as opportunities arise and if they are financially feasible.

When asked, “What kind of support would help you to expand your socially and environmentally responsible business practices?” we received a number of responses, including: workshops that pinpoint the greatest needs for CSR initiatives, communications support for both internal and external communications, access to consultants and peer networks, access to publications and resources, and help calculating the metrics of the CSR initiative.

Key Recommendations and Considerations

From our research findings, we have gleaned the following insights and recommendations. For clarity, we have organized our recommendations into three groups:

- Recommendations for SMEs;
- Recommendations for organizations engaging and supporting SMEs; and,
- Considerations for large businesses engaging the SMEs in their supply chain.

Recommendations for SMEs

- **Seek out beneficial relationships with key stakeholders.** Key stakeholders for SMEs include industry associations, suppliers, regulators and NGOs. These groups can offer support and direction for SMEs that are in the early phases of implementing CSR.
- **Involve your employees** in identifying current CSR practices. Generally, employees are the best source of information on the organization’s operations and internal audits are far more cost effective than contracting external consultants.



- **Celebrate the CSR initiatives you already have underway.** Celebration is important for creating momentum around CSR. Once excitement for CSR exists within an organization, it is easier to expand CSR efforts to new areas.
- **Focus on low cost CSR initiatives.** The greatest barrier to CSR is limited financial resources. The following programs provide low to no-cost support:

CSR programs that provide support to SMEs through subsidized programs. In British Columbia, three such organizations help SMEs with one or more aspects of CSR at no to low-cost. They include the Environmental Youth Alliance, Canadian Business for Social Responsibility and the Science Council of BC. These organizations support SMEs by providing tools and training to become more environmentally and socially responsible.

Access buying clubs to source environmentally and socially responsible products. These clubs provide economies of scale for a group of businesses that, as individual organizations, would not have enough purchasing power to gain access to speciality products. One such club is Reach for Unbleached, which sources environmentally friendly paper.

Recommendations for organizations engaging and supporting SMEs

- **Use terminology that is familiar to SMEs.** This language should contain action words that reflect the values and activities of the organization.
- **Work collaboratively with industry associations and NGOs** to approach SMEs and offer to support them through their initial CSR implementation.
- **Gather data on the business case for CSR** in the SME context and use this information to motivate profit driven business leaders to engage in CSR.
- **Take a proactive approach to engaging SMEs** as very few will seek out the support they require to embrace CSR.
- **Create concise resources and practical “how to’s”** for implementing CSR. SMEs require CSR tools that they can use with flexibility, rather than tools that follow a fixed schedule.
- **Engage a wide variety of key players** when helping SMEs to overcome the barriers and challenges they face when adopting CSR. A series of learning circles could include SME owners, government representatives, business associations and NGOs.
- **Provide access to professional advice** that can help SMEs promote their environmentally or socially responsible product choices both internally (to employees) and externally (to NGOs, customers and the community) through cost effective peer learning sessions that include training, networking and coaching.

Key considerations for large businesses engaging the SMEs in their supply chain

- **SMEs want to do the right thing.** Time and cost are a barrier to SMEs adopting CSR practices; yet, despite these challenges many companies are heading down that path. Appeal to people on a personal level while acknowledging their constraints and efforts to overcome them.
- **SMEs adopt CSR gradually.** Large businesses need to have realistic expectation on how quickly a supplier can change the nature of their operations by providing reasonable timelines and support where necessary.



- **SMEs require support.** Large businesses can offer financial or non-financial support to help SMEs begin their CSR initiatives.
- **SMEs do not use the same management frameworks that large companies use.** They are far more individual and values-driven and, because of their small size, can be more responsive than large corporations.

What CBSR will do moving forward

CBSR is committed to serving the SME community in its CSR initiatives. The following are actions we plan to take in this effort:

- **Create a “one stop shop” for SMEs** to learn about CSR: the SME Centre for Leadership and Innovation.
- **Conduct a proactive and positive outreach program** to attract SMEs to the Centre. This program will include a sales call campaign, collaboration with industry associations, and profile of SMEs successfully engaging in CSR.
- **Create a management tool** to enable SMEs to assess their current CSR practices. Using the GoodCompany Guidelines as a starting point, CBSR will review and revise these guidelines to make an assessment tool relevant and effective for SMEs.
- **Contact organizations active in engaging SMEs in CSR initiatives.** CBSR will explore why those organizations that have been successful in engaging SMEs achieved this success, identifying their best practices and lessons learned. Using this information, we will encourage other associations to provide CSR support for SMEs either through the SME Centre or through their own initiatives.
- **Develop a multi-set of tools for SMEs** including peer-networking groups, workshops, mentoring and web and paper based toolkits. The tools should be complementary so that organizations can receive proactive sustained support to embed CSR in their business practices over the long term.
- **Gather and distribute information on the business benefits of socially and environmentally responsible practices** in the SME context. This information can be delivered to a wide network of SMEs either participating in CSR activities or thinking about doing so in the future.
- **Involve storytelling.** Create a forum for sharing and hearing inspiring stories from SMEs that have heightened the success and enjoyment of their work through CSR. Many successfully engaged SMEs become inspired to make a positive impact through their businesses after reading success stories and learning from role models.
- **Conduct further research with SMEs** that investigates various vehicles through which CSR support can be delivered in greater depth.

SME Resources

CBSR undertook a scan of the CSR resources available to SMEs. We were disappointed to find that CSR resources relevant to small businesses are not readily available.



Trends

As the World Wide Web becomes more dominant in business it is an obvious place to find a plethora of CSR tools. The types of tools available include research papers, toolkits, questionnaires, checklists and downloadable software. It is not clear if these tools actually provide effective and lasting support for SMEs.

There are a few consulting firms that provide services for small businesses. These firms range from government subsidized non-profit programs (e.g., those providing environmental audits) to fee-for-service consultancies. The non-profit programs provide limited services; fee-for-service consultancies can be too expensive for many SMEs.

Gaps

Through our scan of SME resources we found a deficiency with regards to training tools on CSR for SMEs. Training programs are ideal for small businesses because it is possible to provide hands on instruction and guidance without needing to tailor it to the specific requirements of each small business. Interactive programs that consist of complementary types of training methods are ideal for the business owner or manager with little time and money and who needs to learn in a “hands on” environment.

Another opportunity exists for government, business associations, large businesses and NGOs to develop outreach programs to introduce SMEs to CSR. There is a noticeable absence of programs that **proactively** engage SMEs in CSR.

Conclusions and Next Steps

The research results emphasize several key themes that any organization needs to consider when engaging SMEs in CSR.

- Small businesses often do not recognize when they are already practicing CSR. Helping SMEs to understand CSR and identify how they currently practice it in their businesses is important to help them recognize that they are already engaging in CSR at some level.
- There are two main approaches for motivating and engaging SMEs in CSR. For some, appealing to their personal values and recognising where they demonstrate superior business acumen is an effective approach. For bottom line driven individuals, clearly outlining the business benefits derived from engaging in CSR activities is an important starting point.
- One resounding theme among the SMEs interviewed is the lack of resources available for their CSR activities, most notably time and money. SMEs require tools and resources that are quick to implement, easy to use, and flexible in form and function.

CBSR's next steps are to analyze the recommendations in this report to inform a decision on how best to engage SMEs in CSR. The CBSR team, along with its advisors and a sampling of its SME members, will use this report to generate ideas for the creation of an action plan for the best method of engaging SMEs through the SME Centre for Leadership and Innovation.



Appendix A

Interviewee Background Information

Organization Name	AgriMarine Industries Inc.	Busby & Associates	Cambridge Construction	Cedar Creek Estate Winery	The Fish House
Sector	Primary resource based	Business & professional services	Construction	Primary resource based	Tourism
Outline of Business	Was a full-fledged salmon farm until 1998. Now just processing plant and a land based salmon farming project. The land based salmon project is a pilot project in the midst of being commercialized.	Architecture firm – all projects have an element of green. Full service firm – all types and sizes of projects.	Residential renovations.	Family owned and operated winery.	Seafood restaurant.
Years Established	10	19	1989	17	13
Location	Campbell River	Vancouver	North Shore	Kelowna	Vancouver
Number of Employees	14	50	4, Varies	35	70-90
Interviewee	Rob Walker	Christine Strauss	Gary Margueratt	Gordon Fitzpatrick	Drew Allen
Interviewee's Role	Director of Operations and Marketing	Director of Practice	Owner and President	President	General Manager



Organization Name	Jamie's Whaling Station Ltd.	Novex Couriers	Mostad Print & Design	Raincoast Books	Travel Underwriters
Sector	Tourism	Business & professional services	Manufacturing	Manufacturing	Tourism
Outline of Business	Offers whale watching tours in Tofino and Ucluelet on zodiac style vessels or large whale watch vessels. Also offers bear viewing tours and kayaking tours with partners, and hot springs trips. First whale watching on west coast and second in BC.	Local courier	Commercial printer, prepress facility, film output and plate output, some design, shipping & distribution Full service operation.	Raincoast Books is a Canadian publisher and distributor. Raincoast publishes books under the imprints Raincoast Books, Polestar Press and Press Gang. We are the exclusive Canadian distributor for publishers from the UK, the US and Canada, such as Chronicle Books, Bloomsbury US and UK, Harcourt Inc. and Princeton Architectural Press.	Travel Underwriters is a third-party administrator (TPA) of travel insurance products and services. They develop and administer a variety of travel insurance plans for Canadian business and leisure travelers, visitors to Canada and international students studying in Canada including: automobile associations, insurance brokerages, banks, credit unions, travel agencies, tour operators and airlines across Canada.
Years Established	21	Over 20	30	24	40
Location	Tofino and Ucluelet, B.C.	Richmond	Surrey	Vancouver	Richmond
Number of Employees	Up to 35, seasonal.	30 employees plus 100 owner operators.	20-25	100	90
Interviewee	Jamie Bray	Anne Marie Faron	Troy Illes	Michelle Benjamin	Ian MacCauley
Interviewee's Role	Co-owner & President	Communications Manager	Customer Representative & PR Director	Publisher	HR Manager



Appendix B

Research Methodology

To provide advice and guidance throughout this project, we formed an advisory group, which consisted of:

- Allison Morrison, BC Hydro;
- Andre Charland, eBusiness Applications;
- Anne-Marie Palma, NOVEX Couriers;
- Mark Jeffrey, Science Council of BC;
- Adine Mees, CBSR; and,
- Myrna Khan, CBSR.

CBSR identified and researched key SME industries in BC for further exploration. The five industries were chosen based on preliminary research of typically “Canadian” industries³. The industries were prioritized by the advisory group. The five industries selected include:

- Business and professional services
- Construction
- Tourism, including food and accommodation
- Primary-resource based
- Manufacturing

We then identified a number of small businesses within each of these industries and conducted preliminary research to determine the most relevant candidates for our research. (See Appendix A for a list of companies interviewed). Based on this research, the advisory group ranked the companies to determine the top ten candidates for interviews.

Based on the results of our interviews on what drives SMEs to learn about and engage in CSR, we conducted a preliminary scan to determine what tools and programs are available for SMEs.

³ We used BC Statistics to determine which industries have a large percentage of SME businesses, are experiencing growth, and contribute to a significant portion of the BC GDP.