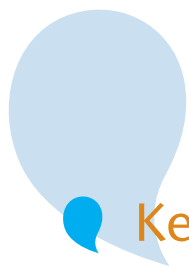




Opportunity and Responsibility

How to help more small businesses to integrate social and environmental issues into what they do



Key messages

1. CSR is not a new concept for SMEs. A large proportion of SMEs have always done things that could today be called “corporate social responsibility”, even if they do not know or use the term themselves. What is new is the growing attention given to CSR by policy-makers, consumers, trade unions and non-governmental organisations. These actors should all give more recognition to what SMEs already do in this field. CSR in SMEs is less formal and more intuitive than in larger enterprises, but that does not make it less valuable. The challenge is to get more SMEs to do more CSR.

2. CSR can bring advantages to SMEs... CSR is not a short-cut to business success, but an investment that can pay off in the longer term. It can bring advantages, for example in terms of staff retention and recruitment, staff development and motivation, customer loyalty and reduced expenditure on energy. In the knowledge economy it can increasingly be a source of innovation and it can facilitate access to and sharing of information. By managing CSR in a more strategic and conscious manner, enterprises can better reap these advantages. CSR is about continuous improvement and should be seen as part of the modern model of business excellence.

3. ...but personal and ethical values are important too. The personal and ethical values of SME owners, managers and employees are a strong motivation for an enterprise to pay more attention to social and environmental issues. Support for CSR in SMEs should seek to build on and respond to these value-based motivations, not to replace or ignore them.

4. CSR is an opportunity to resolve real problems. CSR needs to be kept practical and results-oriented, providing solutions to real problems faced for example by an enterprise, a locality or a sector. All stakeholders should be encouraged to see the opportunities that can arise from engaging SMEs on social and environmental issues. Policy-makers and others actors should not treat CSR in isolation, but rather link support for the uptake of CSR more explicitly with policies such as fighting social exclusion, promoting entrepreneurial mindsets or reducing CO2 emissions.

5. It makes sense to work with SMEs at regional and local level... SMEs usually identify themselves closely with the region or town where they are located. The social and environmental issues of concern to them will probably be local and regional in nature. It is at the local and regional level that the positive impact of having a greater uptake of CSR can best be felt, whether it be in economic, social or environmental terms.

6. ...and through industrial clusters and sectors. SMEs from the same cluster or sector often face common social and environmental issues. Addressing these issues collectively can reduce the costs of action and result in improvements that an individual SME acting alone cannot achieve.

- 7. Partnerships between stakeholders are crucial.** Most successful examples of supporting CSR amongst SMEs, especially those focused on relations with stakeholders outside the enterprise, involve a combination of different actors, each bringing their own networks and expertise. The importance of a social dialogue approach involving employers and workers' representatives is particularly relevant to the encouragement of CSR in any given industrial sector. Cooperation across different industrial sectors is often important for addressing local and regional issues. Non-governmental and non-profit organisations should be encouraged to further step up their cooperation on CSR with SMEs and their representative bodies.
- 8. Organisations that work with SMEs have a central role to play.** Existing business support organisations and SME intermediaries need to be encouraged and helped to better integrate CSR into the advice and support that they give to SMEs. Such organisations are key channels of communication with SMEs and are qualified to communicate about CSR in a way that is relevant and understandable to them.
- 9. Language and terminology must be appropriate.** The term "corporate social responsibility" is confusing and off-putting to most SMEs. While the term remains useful in policy-making circles, in most languages alternative terms need to be found for the purposes of communicating with SMEs. In some languages the term "responsible entrepreneurship" is a viable alternative.
- 10. We need to better integrate CSR into education.** To convince future managers, entrepreneurs and workers that CSR is an investment in society that pays off in the long term, the social and environmental role and responsibilities of enterprises need to be better integrated into all levels of education. Particular attention should be given to the integration of CSR into education for entrepreneurship and into relevant training for SME managers and staff.
- 11. Not all SMEs are the same...** The fact that SMEs are an extremely diverse group (size, history, sector, ownership, and so on) calls for a range of different approaches and strategies to encourage the uptake of CSR. Adapting the message and the nature of support to the different kinds of SME will be key to success. Amongst other things, tailor-made approaches are needed for small and micro-enterprises in comparison to medium-sized enterprises.
- 12. ...and CSR looks different in different EU countries.** CSR is culturally specific: it varies according to political traditions, the nature of social dialogue, and the degree to which certain social and environmental issues are regulated by law. It is useful to have a common understanding at EU level about the definition and importance of CSR, but ultimately the practice of CSR has to be adapted to the particular circumstances of different nations and regions.
- 13. There needs to be a greater demand for CSR.** An appropriate enabling environment should exist to reward SMEs for more socially and environmentally responsible behaviour. Amongst other things, this means addressing the role of consumers, of public procurement and of large company buyers in the supply-chain. In all cases, the capacities of SMEs need to be considered and care is required to avoid unintentionally discriminating against them.

14. Governments must act responsibly too. One cannot call for a greater uptake of CSR amongst SMEs without also drawing attention to government responsibility in terms of creating the right framework conditions to allow enterprises to grow and to create more and better jobs.

15. We need more academic research on CSR and SMEs. The recent growth of academic interest in CSR and SMEs is to be welcomed. Further research should be encouraged on action-oriented questions such as: the success or otherwise of different policies and techniques to increase the uptake of CSR amongst SMEs; the economic, social and environmental impact of CSR at regional and local level; the usage and utility of CSR tools for SMEs; and a typology of SMEs with regard to their engagement in CSR.

16. The challenge is big and the rewards are great. There are some 24 million SMEs in the European Union. The ultimate aim must be to positively affect the behaviour of a significant proportion of those enterprises. The guiding principle should be to foster small but significant steps by a very large number of enterprises, rather than striving for formal and sophisticated CSR policies amongst a small elite. This will contribute to the positive evolution of European business culture in a way that will enhance Europe's competitiveness and its ability to deliver sustainable development and a better quality life of for its citizens.