



SME Calgary Coalition

Small and Medium Enterprises: Current Attitudes and Practices in Community Investment

OVERVIEW



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An Overview of the Research Findings

The changing nature of the relationship between corporations and the communities in which they operate has, in the past 20 or 30 years, brought the discussion of corporate social responsibility into public discussion in new ways. It has caused companies to think beyond 'check-book philanthropy', and has also helped bring to individual citizens increased consciousness about the impact and influence of companies in their midst. Large companies have been the primary focus of the earliest corporate social responsibility work, but there has been growing interest in the role and place of small and medium-sized enterprises (SMEs) in community investment and involvement. Indeed, recognizing that large businesses cannot do it all, representatives from interested SMEs and community organizations in Calgary, Alberta formed the SME Calgary Coalition to consider how to go about engaging more SMEs in community investment and involvement. Considering Calgary's unique business climate and reputation for volunteerism, the SME Calgary Coalition was reluctant to apply findings from elsewhere before learning about the Calgary reality.

On this basis, the SME Calgary Coalition decided to undertake research into the current attitudes and practices of SMEs in Calgary, a project that would include a literature review, interviews with selected local SMEs, and a quantitative survey to validate the learning outcomes of the other elements.

LITERATURE REVIEW

The body of knowledge on subjects related to corporate social responsibility is very large and growing. This literature review considered nearly 100 sources primarily from the United States, Canada, Western Europe, and the United Kingdom. The review details a broad range of practices and perspectives warranting study at a local level to evaluate the 'fit' with what is happening elsewhere in the world.

Key Themes and Findings from the Literature Review

- Differentiating SMEs and large companies on the basis of the size of the employee complement or gross revenues appears unrelated to companies' community investment/ involvement activities, and artificially (if not falsely) implies different roles, capabilities or expectations of SMEs.
- SMEs are concerned about being seen as responsible corporate citizens, despite skeptics who doubt their genuineness, or who in any case believe companies fall short of meeting expectations.
- Meeting expectations is difficult for SMEs and large companies alike, as the definition of CSR itself is a moving target. Compliance with stakeholders' expectations depends on a shared definition of what constitutes CSR, yet this goal is elusive, even among 'experts'.
- SMEs continue to focus on traditional forms of 'giving', however, some SMEs are engaged in a wide range of visionary, innovative, ambitious, and creative forms of CSR that involve different ways of doing business rather than supporting community organizations or their causes directly.

- The impetus for a SME embarking on CSR activities is often the personal value set of the owner-entrepreneur or a key employee-champion who sees community work as “the right thing to do”.
- No studies support with proof the widely-held presumption in the literature that corporate decisions about community investment/involvement are driven by the bottom-line business case.
- Even if they are not motivated by the prospect of bottom-line outcomes, companies often realize positive business benefits such as increased customer support or improved employee morale.
- Success in implementing CSR initiatives is improved if the company’s culture supports openness, participative processes, and risk-taking. Success also depends on a champion, whether it is the owner-entrepreneur or another person in the company who has the drive to pursue it.
- SMEs’ CSR initiatives also need some level of support and buy-in from senior leaders, but often it is more important for the rest of the organization to be supportive. The internal communication systems that enable sharing information and building support are often lacking in SMEs.
- SMEs adopt CSR gradually and at their own pace, in step with financial feasibility, time available to undertake initiatives, or along with demand from external stakeholders. They start with manageable projects with which they can have success, and then extend or expand what they do.
- Managing external stakeholders’ expectations may be daunting for SMEs when expectations develop at the international level and in the context of what is expected of large companies.
- While small, medium, and large companies all exist on the same continuum regarding their role in a community, there may be some special opportunities for SMEs. By virtue of being ‘small’, they may be more able to respond quickly to community needs, or more able than large companies to embed CSR practices into their operations and instill community values into their culture.

PERSONAL INTERVIEWS

Personal interviews were conducted with senior leaders of 15 Calgary SMEs to explore the themes and findings from the literature review. The objective was to test the relevance of those themes to them, and to learn if there were other perspectives or issues that did not surface from the literature but which influenced their attitudes or practices with respect to their community work.

Findings from the Interviews

The 15 companies interviewed represented a mix of relatively young and more mature companies, as three had been in business for under five years, and six had been in business for between 10 and 25 years. Six others had been in business for over 25 years. Most companies participating had few employees: six companies had fewer than 25 employees, two had between 26 and 50 employees, two more had between 51 and 75 employees, and just one company has between 76 and 100 employees. These 11 companies would be considered “small” according to definitions relying on the size of the employee complement. The remaining four companies would be considered “medium”.

The range of motivating factors was rich in variety and insight. As expected, the strong emphasis on altruism was evident, but the interviewees provided much more insight than the literature did into *why*

altruism is such an important motivator, or *why* paying back is seen as the right thing to do. The interviews also revealed that SME leaders are on the one hand, very close to the community and have a strong sense of what is needed, and on the other hand, go about their community work with a clear view of the larger societal context to which they are contributing. An enduring theme among the interviewees was the notion of the need to pay back something to a community in which they have been successful.

While being motivated solely by a desire for a business outcome was seen universally by the interviewees as inappropriate, receiving a business benefit as a result of community engagement was not. Several interviewees acknowledged that there could be potential for business outcomes, but almost without exception, the interviewees did not concern themselves with whether there was a business result.

Because the SMEs interviewed are motivated primarily by altruism, their overarching concern is for their impact on the community. While this need not preclude taking a strategic approach to their community involvement, very few consider themselves at all strategic about it. Virtually no one among the SMEs interviewed makes a deliberate effort to connect the company's community activities to business strategy.

A theme that emerged during the interviews was the importance of companies' community activities in recruiting and retention strategies. Some spoke of the importance of deliberately acquainting potential employees with the company's culture, and the need for them to fit into that. Others looked more passively for individuals already involved in community work who might contribute to company projects.

The CSR literature reflects two opposing views of the desirability of companies communicating about their community investment/involvement activities. One view holds that the act of communicating is self-congratulatory and self-interested, the antithesis of what philanthropy is about. The SMEs we interviewed tend to hold this view and act on it: they do not communicate in a deliberate way about what they do in the community. For some, the rationale is consistent with the view from the literature: it is just bad manners to communicate on one's own behalf. Others make no effort to raise their profile for fear of being inundated with requests from other community organizations.

The other view holds that companies have a right, if not a duty to communicate about what they do. The economic role of business dictates that companies communicate to stakeholders about their corporate activities, including community involvement. Interviewees generally did not acknowledge this view.

The interviewees participating in this study believed that all companies are expected to make some contribution to society, and to make that contribution according to their means.

QUANTITATIVE SURVEY

The insights from the interviews helped put the findings from the literature review in some perspective, and provided good guidance as to what topics to pursue through a quantitative survey of Calgary SMEs. The major themes pursued in the questions included the nature of the company's community investment/involvement activities, the decision-making process by which projects or causes are selected, the company's motivation for its choices, and the types of projects or causes these SMEs support. The core questions on the survey included scale-response items capturing respondents' opinions on a range of

topics such as the role of companies in the community, the impact of the company's work, how the company manages its activities, and the company's future plans for community engagement .

General Findings from the Survey

This survey drew responses from 116 local SMEs, primarily from small businesses whose headquarters are in Calgary, and whose employee complement tends to be fewer than 25 people. Most of the companies responding provide goods and services to other businesses, and are privately owned. Most of the respondents are the original entrepreneurs who started the business or one of the original partners, and primarily men between 40 and 60 years of age. Most have university degrees, are long-time residents of Calgary, and currently volunteer in the community.

With one exception, all companies responding are engaged in the community. Most are long-time community supporters, and most have been involved in the community since the inception of the company. Causes addressing the needs of children and youth, or supporting social welfare or human health receive the most support. Most decisions are made by the senior leaders as a team, or by the most senior leader. In a few cases, the decision is made by individual executives, or by employee-committees.

Perhaps not surprisingly, most companies support the causes the senior leaders support, or those that employees support. While the companies look for alignment between the organizations and causes they support and their corporate values, few attempt to find it with business purpose. They have little appetite for campaigns or for cold calls from community organizations or professional fundraisers. Many research opportunities themselves, arrange their own events, or support customers' or business contacts' projects.

Monetary donations remain the most preferred method of providing support to the community, followed by donations of goods and services, and then by applying skills and expertise. Despite the doubters, *pure altruism* tops the list of possible motivating factors by a wide margin.

SMEs care about being seen as socially responsible and do not believe their obligation is different from that of big companies. They are comfortable describing what they do as 'corporate social responsibility'.

Many SMEs see the informality of their current approach as desirable because it enables them to be flexible and responsive to new opportunities, and to stay "under the radar", as so many say. In so doing, they stay off the solicitation rolls of both community organizations and professional fundraisers.

The SMEs responding to the survey take steps to learn how the community organizations are managed and how they use their contributions. Fewer are satisfied with the information they get about how the organizations are managed; most are satisfied with what they receive about how contributions are used.

The SME Calgary Coalition intends to use the results of this research to direct their own work, and invites others to employ the methodology from this project to assess conditions elsewhere in the interests of building greater understanding about SMEs in the community.

