

Philanthropy Australia

Statement to

Victorian Government Family and Community Development Committee Inquiry on the involvement of small and medium businesses in corporate social responsibility

Philanthropy Australia is the national peak body for philanthropy and is a non profit membership organisation. Our members are trusts and foundations, corporations, families and individuals who want to make a difference through their own philanthropic giving and to encourage others to become philanthropists. Our mission is to represent, grow and inspire an effective and robust philanthropic sector for the community

Context

In relation to corporate social responsibility (CSR) one focus of Philanthropy Australia is business community involvement and interaction. We see businesses' community involvement as a combination of donated money, time and in-kind services, social investment and community sponsorships – which we see as a key element of business responsibility but not its entirety.

Philanthropy Australia believes that the Australian small and medium business sector has historically demonstrated close links and involvement with their communities. In fact the findings of the report, *Giving Australia: Research on Philanthropy in Australia October 2005* conducted by the Australian Government under the Prime Minister's Community Business Partnership include:

- Of businesses with less than 11 employees 66% participated in some form of giving, while the equivalent figures for businesses with 11-50 employees were 77%.
- Businesses with 1-10 employees gave the largest amount overall - \$1.5 billion or 47% of all business giving. This group makes up 89% of Australian businesses.
- Small businesses have been found to more often give some specific forms of goods and services compared with larger businesses.

However, given the size of these businesses and the largely private nature of small and medium businesses, the *Giving Australia* Report found:

- Those least likely to give were often small and medium sized businesses that displayed a concern that giving contradicted their responsibility to stakeholders and/or shareholders – principals in a business were likely to consider giving as a personal or private responsibility. Such businesses tended to lack a giving 'vision', a clearly defined function for giving, and/or had few systems to budget or record giving. These businesses had little exposure to best practice giving, reported difficulty coping with requests from nonprofit organisations and tended to blur the lines between commercial activities, such as sponsorship, and more altruistic engagement; they were often focused on business sustainability or survival.
- Small and medium businesses were generally less organized and more reactive in their giving than large businesses. Small, locally-based businesses, often with a retail shop-front, identified closely with their immediate community and reported operating on relatively tight cash flows; however they felt part of the local community and were happy

to contribute to it. They were almost exclusively approached by locally-based nonprofit organisations (such as the local football club) and they gave consistently, at a relatively low level, to these causes. Some were engaged through services clubs (eg Lions or Rotary) in community causes and this individual activity seemed to influence their attitudes to giving within their businesses.

- There was a strong interest in better managing giving practices, especially by small and medium businesses.

Detailed analysis of the implications of the *Giving Australia* report is contained in “*Corporate Giving in Australia: An Analysis of Motives and Barriers*” by Professor Adrian Sargeant and Kathy Crissman, Australian Journal of Social Issues, Vol. 41, No. 4 2006.

Results of Overseas Studies

As number of studies overseas show small and medium businesses community activities tend to be fragmented and informal and are largely influenced by the personal values of the business owners. Many small and medium businesses begin their CSR activities with a range of environmental initiatives. Barriers to implementing CSR are cost, lack of time and resources, and perceived bureaucracy. Results of surveys conducted in the UK, Canada and Europe are attached in Appendix 1.

Conclusion

Small and medium businesses in Australia are actively involved in the community. However, given the size of these businesses and the largely private nature of small and medium businesses, they are more likely to consider giving as a personal or private responsibility. Given the a strong interest in better managing giving practices as evidenced by the Giving Australia Report, more information, best practice guidelines and recognition should be made available to small and medium businesses.

Appendix 1

Engaging Small Business in Community and Social Issues, United Kingdom, 2002. www.societyandbusiness.gov.uk/pdf/SME.pdf

Prepared for the Department of Trade and Industry by a research consortium. This report examines current practice, motivations, barriers and the business case for social and environmental engagement on the part of small business. An action agenda is proposed for third party organizations and government. Highlights:

- CSR is not the most useful phrase to describe the spectrum of community, environmental and social activities SMEs undertake. SMEs dislike the term, believing it represents a bureaucratic approach to their community relations. They see their social responsibility as just good business.
- The social and community activities of SMEs are fragmented and informal. Many SMEs do not realize they are involved in corporate social responsibility activities.
- Workplace issues are the most popular social responsibility activity with over four in five SMEs saying they encourage skill development, work/life balance, and take responsibility for the health and well-being of staff.
- Large companies tend to be more motivated in their CSR activities by external pressures, while smaller companies are more often motivated by internal pressures - staff is often the catalyst and focus of small business CSR efforts.
- Many SMEs are tackling their environmental "footprint," with two in three actively reducing their environmental impact, recycling or reducing waste.
- Community involvement is also high: 60 per cent work with local schools or colleges; 52 per cent work with charities or the voluntary sector.
- SMEs showed a discrepancy between their views on the importance of being engaged in poverty reduction (social exclusion) and ethical sourcing issues, and the degree to which they were doing anything about either.
- The larger the business and the greater their involvement with business networks, the more they believed CSR contributed to an improved bottom line.
- The reason small businesses become involved in CSR include: personal interest, good business practice, morale and motivation of staff, giving something back to the local community, and developing a good business image or reputation.
- Barriers to implementing CSR are cost, lack of time and resources, and perceived bureaucracy. Small businesses also lack awareness that CSR is not just goodwill, but an essential part of responsible business practice.

Engaging Small Business in Corporate Social Responsibility: A Canadian Small Business Perspective on CSR, Canada, 2003, Canadian Business for Social Responsibility www.cbsr.bc.ca/files/reportsandpapers/engagingsme_final.pdf

This report examines best practice CSR among 10 SMEs in British Columbia. It looks at the motivations, business benefits, challenges, and recommendations for SMEs starting out in CSR, and for third-party organizations wishing to support SMEs developing CSR programs. Highlights:

- SMEs define CSR informally. Small business understanding of CSR is influenced by the personal values of the business owners or the CSR champion in the company. CSR is not reflected in a formal company-wide commitment.

- Many begin their CSR efforts with a range of environmental initiatives such as changing the type of paper purchased or conducting an environmental audit to identify improvements they could readily make.
- A range of community engagement practices exist within small business. The smaller the company, the fewer the community initiatives.
- SMEs rarely involve key stakeholders in the development and implementation of CSR initiatives - not for lack of interest, but due to lack of time to identify and engage with their stakeholders.
- Deriving business benefits was not a deciding factor for companies to undertake CSR; however, one of the most consistent benefits cited was the competitive advantage they felt resulted from their CSR initiatives.
- Cost of implementing CSR, sourcing environmentally friendly products, internal communications and training for employees on CSR practices are challenging for SMEs.

European SMEs and Social and Environmental Responsibility, European Commission, 2002. A brochure accompanies the study.
www.europa.eu.int/comm/enterprise/enterprise_policy/analysis/doc/smes_observatory_2002_report4_en.profit

This report is based on a survey of over 7,600 SMEs in 19 European countries and looks at CSR (primarily community and environmental) involvement, attitudes, costs/benefits and barriers.

The main conclusions of the study are:

- 50 per cent of European SMEs are involved in socially responsible activities.
- Attitudinal barriers are more important for explaining the inactivity of SMEs in socially responsible activities than "lack of resource" barriers (lack of money/time).
- SMEs pursuing growth strategies represent the highest percentage of those expecting to increase their participation in social activities followed by those with a focus on innovation or quality.
- The business strategy focus also seems to be an important factor in determining SMEs' current engagement. Here, quality and innovation-driven SMEs are the most active CSR participants.
- SMEs face a number of obstacles in addressing their environmental impacts (e.g. lack of awareness and information, insufficient resources and expertise).
- The proportion of European SMEs currently engaged in addressing their environmental problems beyond compliance with environmental legislation is limited.
- Support for sports, cultural and health/welfare activities are the most common type of community involvement, primarily in the form of donations in cash or in kind and secondarily, sponsorships.
- Typically European SMEs' community activities are occasional, one-off, and unrelated to business strategy.
- Three-quarters are able to identify business benefits for their CSR activities (e.g. improved customer loyalty and better relations with the community/public authorities), although SMEs mainly state ethical reasons for their involvement in CSR.
- Larger SMEs and those based in countries with greater CSR activity (i.e. northern Europe) are more aware of the business benefits of CSR.
- Involvement seems to increase once SMEs are more consolidated (five years or more) while those struggling to survive scored lowest in both current and future social engagement.