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CSR IN SMEs: ASSESSING ETHICAL RISK

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Abstract

Purpose:

Small and Medium Sized Enterprises (SMEs) are frequently designated heroes or villains from a CSR perspective. Either SMEs appear to demonstrate their commitment to long term sustainability by developing close responsible relationships with stakeholders, partly for competitive advantage; or, in particular for SMEs with short term perspectives, they can exhibit a willingness to avoid and evade regulation, cut corners with ethical principles and an ability to disappear, avoiding negative consequences of their actions. Researchers of the SME sector face the problems of generalisation of a sector which exhibits vast diversity in activity, organisation and heritage.

Methodology:

77 interviews with SME owner managers are analysed to review elements derived from the literature.

Findings:

Key factors emerge include the critical role played by an SME's entrepreneur owner manager, the power of stakeholder pressure and the regulatory framework/enforcement relevant to specific industries. The lack of formal documentation or strategy belies the fact that SMEs do have a commitment to CSR. There appears to be little evidence of formal Ethical Risk Assessment or Management, beyond compliance with legislation.

Originality:

The assumptions of theory on CSR in SMEs are evidenced, although unusually the sample respondents appear to be particularly disengaged with internal stakeholders, making external engagement their priority.

Key words: (SME Ethics, Ethical Risk)

Article classification: Research paper

1. Introduction

Small and Medium sized Enterprises (SMEs) have a varied reputation with regard to Corporate Social Responsibility (CSR) performance. They may be hailed as heroes or villains. As related by Laura Spence in a number of publications, they may be located in the extremes of good or bad, or indeed in the spectrum of shades of grey in between (Spence, 1999, 2000, 2004, 2007, Moore and Spence, 2006, Spence *et al*, 2004).

At the extremes we might observe the bad, 'Jack the Lad/Jane the Ladette' or the good, 'Jack and Jane, Pillars of the Community'. Many small business researchers will recognise the former. Small business leaders driven by narrow concerns for commercial gain, determined to succeed, ruthless in behaviour, selfish in objectives, hierarchical, lacking in self criticism, insensitive to alternatives, difficult to train or advise, invisible to the public eye, difficult to police, happy to bend or even break the rules, often not well educated or trained in formal business concepts and systems, but focussed on profit a concept easier to understand. While not asserting that size is a necessary factor resulting in irresponsible behaviour, Longenecker *et al* (2006) found some evidence that SMEs were less ethical than large corporations.

However the picture need not be all negative for CSR. Small businesses are often the core of their local community, especially those that have a long term perspective. Personal relationships make their businesses sustainable. The relations are so personal they generate loyalty, trust and a natural responsibility to at least 'do no harm'. They are actually quite visible in their communities. Their feedback from stakeholders is often immediate, direct and difficult to ignore. While their ethics need not be philosophically sophisticated, they do exist and can be very profoundly held.

The diversity of the SME sector, normally at least 95% of most developed economies' total private company sectors, offers examples of both paradigms and examples which combine elements of both. Morsing and Perrini (2009) argue the size of the SME sector and its impact demand more research and customised concepts of CSR. Besser (2012) confirms the significant contribution to economic and social welfare of SMEs, particularly in their local communities. Harmeling *et al* (2009) feel that SMEs display 'possibility without

necessity' balancing their commercial objectives with voluntary responsible behaviour through values based management.

The very diversity of the sector is a challenge both for conceptual analysis and empirical research (Kuratko, 2006). Some believe academics and policy makers should avoid forcing a one size fits all approach on this diversity (Gibb, 2000). Others suggest that a new ethics should be derived by SME CSR research, which recognises the special SME qualities and even challenge the relevance of CSR. Blundel *et al* (2010) prefer Entrepreneurial Social Responsibility (ESR), a technical but also philosophical concept recognising that most SMEs are not legal corporations and that most CSR theories have been derived from studies of large corporations, which operate in different contexts and organisational structures to most SMEs (Jenkins, 2004).

This study seeks to reflect the literature on SME CSR/Ethical management in analysing a series of interviews with SME Owner-Managers in South Wales, UK. The respondents largely confirm expected behaviours and attitudes. When confronted with questions on CSR challenges and personal impacts on stakeholders and communities, most were anxious to assert their responsible behaviour. While some were prepared to admit irresponsible behaviour, most rationalised these examples as not being serious or asserted that a greater good was achieved. Few very bad examples were admitted, though some, perhaps unconsciously admitted to occasionally breaking the law.

2. Theoretical framework

The study of CSR and SMEs is fraught by intrinsic problems. Defining ethics, social responsibility, stakeholder management, sustainability, has always been a challenge in trying to achieve consensus. SMEs similarly are difficult to define. Obvious employment, turnover or relative market share ratio approaches often fail to illuminate the reality of SME operations and management approaches.

Social responsibility is open to different interpretations. Narrow neo classical perspectives, such as the oft quoted 'the business of business is business' (Friedman, 1970) is challenged by wider perspectives of Freeman (1994), Freeman *et al* (2004), Bowie (2007), Agatiello (2008), Weiss (2008), Alpaslan (2009) and others, which see simple compliance

with the law or regulation as a minimal commitment, where organisations should aspire to Corporate Citizenship (Crane and Matten, 2010). Such stakeholder approaches, while evidenced by most large corporation mission statements and reporting, can be attacked as diverting companies from their main objectives, giving unclear guidance on policy (Sternberg, 2004) or forcing them to try to achieve a target (CSR) which is undefined, impossible to measure and which would not prevent new examples of corruption and fraud, such as Enron or WorldCom (Greenfield, 2004).

However CSR is undoubtedly on the agenda, as recorded by Pryce (2002) a decade ago, whether because of high profile corporate fraud, ecological disasters, stakeholder pressures such as ethical consumer reviews and boycotts, ethical investor funding power and increased assertiveness at board and AGM events or because of governmental legal sanctions and tighter regulatory environments. Most ethical campaigners and academics, while often normatively asserting the need for a teleological principled approach to CSR adoption by companies are often happy to promote the 'good ethics is good business' approach to lead to a good deontological conclusion in CSR performance (see Cannon, 1996, matrix below, Porter and Kramer, 2006). When the CSR debate is targeted at SME performance, there is even more controversy.

SMEs themselves are difficult to define for research purposes. Micro, Small and Medium designations, allow useful sample frames, but do not help in communicating the impact of context, position in the supply chain, cultural heritage, organisational structures and many other drivers, which impact on general performance, including CSR. As Spence and Schmidpeter (2003) identify, context and institutional arrangements create different CSR outcomes. The policy and management of an SME might be radically different depending on who it competes with (other small enterprises or a large dominant firm), the industry it is located in (which will encompass very different ethical risk factors and regulatory frameworks), ownership forms (family businesses, artisan, one person enterprises, social enterprises, which all respect different priorities) and the market served (B2C, B2B, international trading, servicing of government contracts, all evidence a variety of customer driven responsibility demands). The regional, global and ethnic cultural context on the local and regional economies also impacts. As Spence and Painter-Morland (2010) state, research on US and EU SMEs is extensive, but in developing economies there is a lack of empirical data. Fassin *et al* (2011) warn of inappropriate adoption of the Anglo-Saxon

management paradigm for CSR. Kumar and Tiwari (2011) offer some comparative analysis, but admit the need for more research. Size is relative. As more large and small business become Internet active, even the largest corporation may begin to feel small in the context of global competition and the size of the market. Larger corporations in this position might then exhibit the characteristics of smallness and the resulting special impact on CSR.

Spence (1999) contrasts large corporations which feature divorce between ownership and control, specialised, trained management divisions, strategic planning and implementation and control, remote communications and relationships, formal, transparent, accountable and audited processes and access to significant resources, with a typical SME. Small business is dominated by the owner manager who is independent, managers have to multi task, often fire fighting, performing specialist functions for which they are not trained, with limited resources, but where relationships are close and personal and systems are informal. Gibb (2000) emphasises the diversity of the SME sector and the problems of generalisation. His checklist of characteristics concurs with Spence and is adapted by Jenkins (2004). She adds the special qualities offered by family businesses as stability, entrepreneurial flair, concern for local communities and the long term welfare of employees and customers, which also features in Curran *et al* (2000).

Some, like Wiklund (2006), believe family businesses are more generous in their CSR policies. The CSR theory for SMEs is summarised by Jenkins (2004) as responsibility for a smaller range of stakeholders, no shareholders, responsibility to local communities, pressures from financiers and supply chain relationships, concern to retain customers, risk avoidance, feelings of vulnerability and impotence, no recognition of a business case for CSR and dominance by the owner manager who imposes their ethical personality in informal ways on the organisation. Fitzgerald *et al* (2010) particularly emphasise SME owners' participation in their local community organisations, in addition to their responsible business practice as evidence of CSR impact. Erdem (2010) does alert us to the fact that some family business' personal ethics may be quite traditional and may not reflect those of society in general.

CSR research is hardly new but its application to SMEs still causes controversy. A classic review of research by Thompson and Smith (1991) can still find echoes in the most recent

studies. CSR concepts tend to be developed in analysis of large corporations and their need to demonstrate social accountability and sustainability. Many commentators feel that this imposition does not fit with the multi layered elements which SMEs demonstrate in their integrated management and policy delivery. While De Bakker *et al* (2005) state that CSR research offers three perspectives:

- from vague origins, there now is testing of concepts,
- there has hardly been any progress, due to the normative character of the literature
- the ground keeps changing as society moves its targets, incorporating new social constructs.

In addition, Moore *et al* (2009) analyse there is a lack of general criteria against which SME responsible business practice (RBP) can be judged. It might be demotivating for the researcher to know where to start in researching CSR let alone its application to SMEs. The large firm focus seems to continue, as witnessed by Kumar and Tiwari (2011). Large firm CSR addresses social impacts and managing ethical behaviours. SME ethics demand an integration of social responsibility and ethical/sustainable activities, since their very essence as organisations necessitates integrated business policies. CSR will not be consigned to an Ethics Committee in an SME. Where it exists it will be incorporated into day to day management of the business operation. SME research has usefully differentiated sectors, organisational structures and legal/regulatory environments, all of which have CSR impacts. The growth of case material may allow more generic application of concepts (Spence *et al*, 2003), however Thompson and Smith's (1991) complaint that there is an absence of parametric, multi-variate analysis, random sampling and a reliance on self reporting by respondents, is unlikely to be resolved, since most studies are qualitative with a relatively narrow focus. It is difficult to prove that progress has been made in business ethics, as Ciulla (2011) observes.

Therefore, to simplify the approach underpinning this data collection exercise, the model of CSR used incorporated Carroll and Buscholtz's (2004) Pyramid of Social Responsibility. It may still be argued that this leaves ambiguity, in the relationships between levels, the apparent hierarchical nature of the structure and the problems of defining activities into the four categories. Apospori *et al* (2012) point to significant evidence that the strata need not be in conflict, including the ideal, ethical behaviours creating good economic outcomes.

However SMEs appeared to be comfortable with these categories once they had been explained and can align themselves against these. Figure 1 shows the typical picture of the pyramid. SMEs may well be initiated by lifestyle choices, disillusionment with big business approaches and be based on strong personal relationships; therefore the apparent strata can appear intertwined in practice, when examples are volunteered by respondents. As Fassin *et al* (2010a) argue SMEs are able to pragmatically differentiate CSR and business ethics and manage the interrelationships of these concepts in their daily activities.



Figure 1 - Pyramid of Corporate Social Responsibility and Performance (Carroll and Buchholtz, 2003)

The key CSR features in SMEs identified for study were:

- The role of the owner manager/lead manager
- The need for communication
- The regulatory environment

Leadership by the owner manager

While many authors cite the need for an appreciation of context when evaluating SMEs, most acknowledge the special role of the owner manager or lead manager in any SME. Lähdesmäki (2012) states that owner managers deliver social responsibility as a part of their sense of self, which is integrated with their business life, notwithstanding their ability to reconcile economic and ethical values. Her/his personality, past experience, personal commitment often characterises the enterprise as a whole. When SME leaders are socially responsible their organisations will frequently deliver CSR, uphold the highest ethical standards, and develop others at all levels inside and outside the organisation (Guarnieri and Kao, 2008). Seidman (2004) says that 'ethical leadership starts with a vision that making ethics essential and central within the fabric of an organization will enable it to achieve its aspirations'. He states that ethics at the core and as a constant underpinning will channel abilities and skills to sustainable, appropriate activities. Treviño *et al* (2000) argued that individuals in power must be both strong moral persons and moral managers in order to be seen as ethical leaders by those around them. Strand (2000) regrets the lack of research on SME CSR leadership, however extrapolating from other studies on SME leadership of other policies, it would be strange not to emphasise the critical role played by the owner manager.

Tulder and Zwart (2006) identified four different approaches towards (corporate) responsibility linked to different types of leadership:

- *Transactional* and *team* leaders are particularly good at specifying in-active and re-active CSR goals, clarifying roles and responsibilities and motivating their followers or subordinates to achieve group or organisational goals.
- *Charismatic* leaders still focus primarily on internal operations of the organisation, they also display an ability to present a vision of the future of the organisation in combination with a strong personal commitment and a strong character
- *Visionary* and *Moral* leadership is characterised by a more active stance on CSR. Both require an idea/vision of where the organisation should be in the future.
- *Transformational leadership* is the most outward oriented type of leadership and directed at formulating and implementing a new organisational vision that is

embedded in a broader vision of society and the active involvement of external stakeholders.

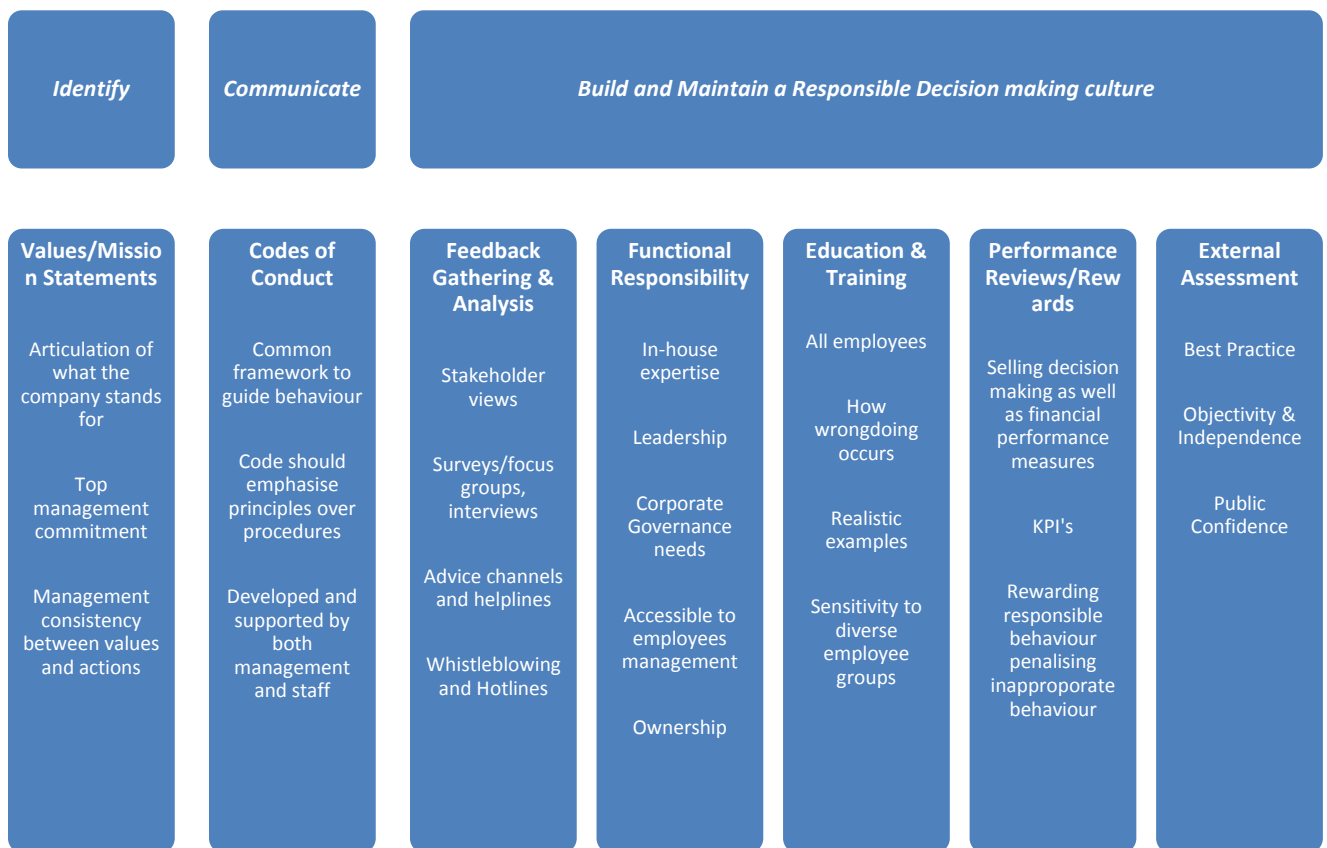
SMEs are notoriously poor at documenting policy and strategy, even of key functional areas. In the field of CSR, mission statements and codes which contain CSR commitments may exist, however it is in performance and in the drive of the leading entrepreneur that most can lay claim to delivering CSR or even ESR. It would be a long term objective of this researcher to attempt to characterise leaders in SMEs into these frameworks.

The negative side of entrepreneurial dominance is that unethical leaders will influence their organisations to create negative social impacts. Brown and Mitchell (2010) discussed that 'in seeking to accomplish organisational goals, leaders can encourage corrupt and unethical acts within their organizations'. In the large corporate scandals they analyse, leaders were the primary transgressors, even leading to the ultimate destruction of their organisations.

Communication with stakeholders

Communicating the CSR commitment is also seen to be crucial if an organisation is to be judged socially responsible (Branco and Rodrigues, 2007, Kitson and Campbell, 2008). These communications should focus on internal alignment of managers and employees with the CSR mission, perhaps utilising management of change models similar to Andersen (2000), which allows a consideration of stages of development, albeit developed for application to large organisations. In Figure 2, the younger the organisation the more forgiving the critic might be, if CSR structures are relatively underdeveloped (Alpander *et al*, 1990). A new business might be only at the stage of defining its mission and the values/CSR content which it should embrace. However an older enterprise that only had a CSR element in its mission statement, might be seen to be superficial in its CSR commitment.

Figure 2- Cornerstones of a Business Ethics Programme (Andersen, 2000)



In the later more mature phases of this model the need to communicate externally to society and relevant stakeholders is apparent. In the best sense this could be both evidence of ethical delivery, but also good reputation management, which could have commercial, economic payoffs. The later stage of external audit is rarely seen in any sector, apart from the most philanthropic and social enterprises. Indeed two years after publication, Arthur Andersen, which used this model for consultancy work, became embroiled in a self destructive ethical scandal involving corrupt reporting. This led to its dramatic demise. Murillo and Lozano (2006) emphasise the need for communications with internal and external stakeholders.

For SME research in the absence of written evidence, codes, protocols, values statements, the researcher should attempt to dig deeper to identify practical evidence of CSR commitment. To conclude that SMEs are not responsible due to the absence of formal documentation, would be narrow sighted. Hence ethnographic, observational, case study and other qualitative analysis feature predominantly in SME CSR research.

Regulation pressures

Campbell (2007) proposes that 'corporations are more likely to behave socially responsible if strong and well-enforced state regulations are in place to ensure such behaviour'. The likelihood is enhanced if regulations and enforcement capacities are based on negotiation and consensus among corporations, government and other relevant stakeholders (Campbell, 2007). Even Friedman (1962) says that business should make profit and create wealth, but play by the 'rules of the game'. Which rules he refers to and which rules drive SMEs can be ambiguous. Clearly the law defines at least the minimum standards, required by society. However as Crane and Matten (2010) argue, simple compliance with the law is hardly something to praise from an ethical campaigner's point of view, but from the narrow stockholder viewpoint, it might be debated whether it is fair to ask corporations to go beyond the law, possibly exposing themselves to loss of competitive advantage, denying their economic responsibility (Kamani, 2010).

In analysing the impact of the legal environment, Shum and Yam (2012) utilising Carroll's paradigm were sceptical of organisations' voluntary adoption of CSR, but did see a resonance in adoption when linked to legal and particularly economic payback. The engagement with philanthropic or discretionary activities they argued was more obscure. Ruud and Ruud (2012) argue that CSR implementation is undermined by frequently shifting social/legal priorities and hypocrisy, when society itself does not uphold the values that it expects corporations to enact. Particularly in an economic downturn the reality might be that economic survival or growth could be seen as the priority despite the CSR rhetoric.

There are interesting discussions to be had on the merits of self v external regulation. SMEs must comply with both laws and less formal regulation. One factor which might arise compared with large corporate compliance is the problem of policing the vast number and diversity of SMEs in any industry.

Polishchuk (2009) explains 'the effectiveness of government regulation depends on the complexity and scale of the tasks that are being implemented and the ability of regulatory authorities to perform their functions effectively. The more complex and numerous the tasks requiring regulation and the greater the doubts regarding the government's ability to accomplish them, the more grounds there are for relying on [voluntary] CSR'. Complexity

of bureaucratic regulations may not excuse, but might explain some SME non compliance. Industry bodies at different levels can regulate the behaviour or practice of business by defining minimum standards for business performance embedded within the legal framework; establishing targets for business to achieve; setting up enforcers and inspectorates to oversee business conduct; promulgating codes or laws to confine undesirable business conduct; or imposing license of operation or mandatory environmental friendly industrial systems (Kitthananan, 2010). However many SMEs do not belong to such bodies, although they might emulate good practice. The characteristic of entrepreneurial desire for independence puts this feature under some pressure.

Evidence of ethical risk analysis will be derived from several of these elements. The formal processes of defining and developing policies to minimise the risk of irresponsible outcomes, however may be difficult to evidence in policy documents or formal statements.

Thompson and Smith (1991) again offer possible forms for the evaluation of ethical risk management:

- A compliance-based approach, which 'focuses primarily on preventing, detecting, and punishing violations of law' (CB)
- A values-based approach, which 'aims to define organizational values and encourage employee commitment to ethical aspirations' (VB)
- A satisfying external stakeholders approach through which enterprises 'hope to maintain or improve their public image and relationships with external stakeholders' (SA)
- A protecting senior management approach, which 'is introduced in part to protect owners and senior management from blame for ethical failures or legal problems' (PSM).

Risk Management Conclusion

Lim (2010) reviews practice and systems. He argues that to make ethics and compliance programs more effective, enterprises should go beyond legal compliance and should systematically consider the industry and market risks that they face. Each company, even within the same industry may require an individualised analysis. Most frequently they will assess customer, supplier, and competition risk; examining enterprise policies, processes, and activities. Also of relevance will be an evaluation of organisational culture to establish whether there is a history of problems, irresponsibility and conflict. The resulting report is often expressed in terms of protecting the reputation of the enterprise. Risk management is an important next level. The consequences of failing to address these risks include criminal prosecution, regulatory action, debarment from government contracting, civil lawsuits, compromised strategic partnerships, labour–management disagreements, stakeholder dissatisfaction, and calls from civil society for more regulation. While most large organisations demonstrate understanding of this, SMEs vary in their enthusiasm to formally engage with this process

3. Research context and methods

The analysis of 77 interviews presented in this paper, represents a small part of a number of research initiatives conducted at Swansea Business School (SBS), particularly stimulated by the award of Special Interest Group (SIG) status in Entrepreneurial Learning by the Higher Education Academy (HEA) in the UK. This convenience sample was collected over 18 months at a variety of events hosted by SBS, from April 2010 to December 2011. A number of interviews will become the base for the development of case studies. The researcher was aided by MBA students, in particular Howard Yip, Li Zhang, Amanda Griffith-Thomas and Vivian Bailey, who facilitated access to a number of industry groups, particularly the hospitality and professional services sectors. SME respondents were also sourced from the Swansea Branch of the Chartered Management Institute (CMI), with whom SBS runs monthly CPD training. While the sample does not claim to be representative, it does to some extent, reflect the South Wales SME community where services dominate over manufacturing and where there is growth in the 3rd sector i.e. voluntary, charity or not for profit organisations. Interviews were numbered and allocated a letter to differentiate their sector. Hence #H04 is interview number 4 of an SME in the

hospitality sector. The sector designation was discussed with interviewees. Some crossed the boundaries of the classification, combining manufacturing with retailing e.g. the farm products e-Commerce business, #R38. Some resisted the obvious classification e.g. 'Our business is not a charity! We are a real business, but one which looks at people and what they can do, NOT what they can't do', (Bennett, 2009). John Bennett is the award winning CEO of Packit, a packaging and delivery social enterprise. His commitment to diversity has allowed workers labelled 'unemployable' to find fulfilling employment. (<http://pack-it.com/>, 12 March 2012). Packit was not part of the sample, but his unwillingness to be typecast was not unusual in the reactions of sampled entrepreneurs.

The list and number of interviews (cited in parentheses) can be seen below. All respondents were offered anonymity. Some were happy to be quoted and to help with future development of case study material. The sectors represented were:

(H) Hospitality Sector: hotels, restaurants, cafes etc. (30 interviewees).

(R) Retail: shops, but also one online farm products SME (10).

(PS) Professional Services: ranging from three law firms, a business consultant, computer servicing company, which also sold software and hardware, to a hair dresser and veterinary pet beautician (12).

(M) Manufacturing: small engineering products companies, building firms, three of whom were the result of subcontracting organisational changes in larger building companies, who required previous employees to form their own businesses and thereafter, take on former contracts by servicing their past employers, one waste management company, etc. (11).

(V) Voluntary: a growing sector in the local economy, ranging from a large 150 employee housing organisation, which works for charitable objectives, but also acts as a safety net for housing services for a local authority, to small local charities which have few resources other than dedicated philanthropic individuals (10).

(A) Artisan (self employed trading enterprises, ranging from artists selling their works, to a mobile beautician and a self employed painter)-4

4. Empirical findings

Of the sample 97% were run by an owner manager. 21% were family businesses. The youngest business was 2 years; the oldest was over 50 years old. Employees ranged from 1 to over 150 (although this was a problematic calculation given the extensive use of casual, temporary and part time workers).

Figure 3: Most Important Stakeholders
(1 - 7 Weighting: 1= least, 7= most "important to my business").

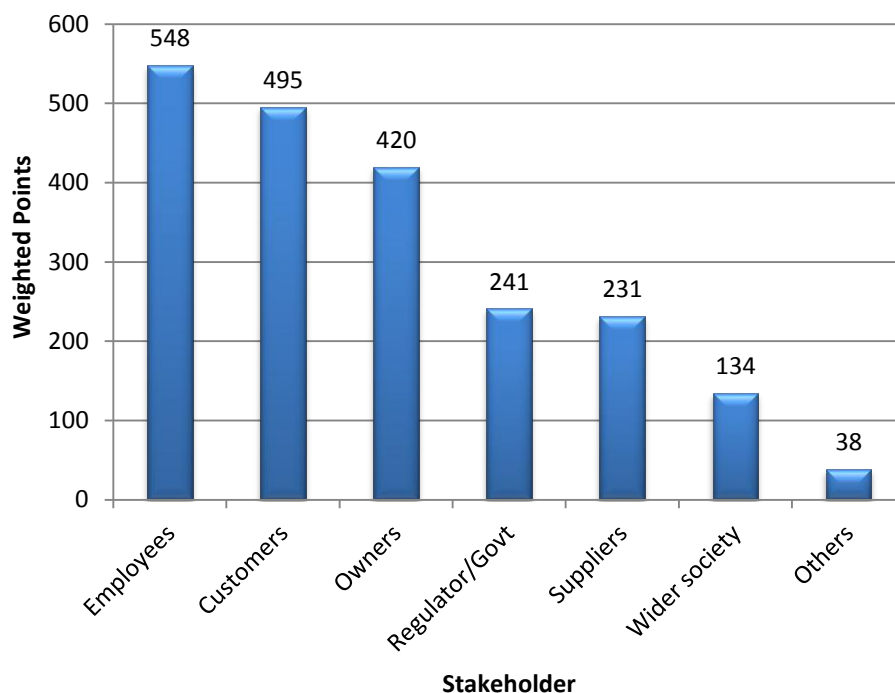


Figure 3 shows the stakeholder priority calculated by weighted summary of a list offered to respondents in the categories listed. While the final analysis indicates that employees are the highest concern, employees as a category, was not the first choice in any sector. It often came second or third. Consumers were the most popular first choice, but given the strong weighting of employees in the relative positions it was awarded first place. A possible flaw in the research method was that 22 interviews were conducted in a 'Marketing for Small Business' seminar conducted by the author at SBS. Perhaps an element of over selling of 'customer focus' might have given this stakeholder higher priority.

Table 1: CSR Profiles

	Policy/ mission	Codes	External SH engagement	Sustainability policy	CSR driver	Risk of non compliance
Hospitality	Y	47%	Y	Y	CB/ SA	Some
Retail	Y	0%	Y	Y	CB	Some
Prof Services	Y	100%	Y	N	CB	N
Manufacturing	Y	36%	Y	Y	CB	Y
Voluntary	Y	100%	Y	N	CB/ VB	N
Artisan	Y	0%	Y	Y	NA	Some

Table 1 indicates that surprisingly all SMEs did have some written commitment to CSR in a policy document, corporate promotion, annual report or part of a business plan. The quality of the commitment was variable, from generic values statements to detailed and audited policy commitment (in the case of a day nursery, employing up to 20 people, caring for children up the age of 5 years, reflecting social concerns to protect children and demonstrate effective protection systems).

Sometimes this mission was incorporated into a Code of Conduct. Codes are seen to be effective in generating ethical outcomes (Erwin, 2011), but in SMEs they are often absent. In some SMEs the code was disguised under different headings such as 'Operating instructions', # M60 building equipment hire firm, or 'Guide to dealing with customers', #H06 and #H09, in staff induction booklets for these independent pubs. For the whole sample 52% had some form of code. The codes varied in complexity and also addressed varying concerns, however as discussed by Forster *et al* (2010) there were commonalities, perhaps reflecting common SME values or a common response to regulation pressures. Spence and Lozano (2000) comment that codes may be ineffective, but informal influences such as friends, family, employees and external contacts better explain SME CSR adoption.

Sustainability was a concept which caused confusion. Most viewed it as a concern only with ecological environmental factors, rather than a wider view incorporating sustainable customer, employee, or community developments. Once asked the question few were prepared to deny a concern for sustainability, though its impact on policy is questionable. As Friedman *et al* (2000) observed SMEs find this concept rather too abstract and lack time, resources and environmental expertise to develop their policies.

External stakeholder (SH) engagement appeared to consist of local sponsorship of worthy causes and services, personal membership of community organisations and the close relationships up and down the supply chain, particularly with customers.

As a driver of their CSR most respondents opted for compliance with law or other regulation as the main influence, CB as designated in the Thompson and Smith (1991) account. However in the wider discussion there were examples of CSR which emanated from the owner manager's commitment to various special interests, VB. Hotels offered examples of their need to communicate responsible policies, in order to engage with other service providers such as conference organisers, cultural events managers etc in order to manage joint marketing of a package deal for these initiatives, an example of SA. Njite *et al* (2008) also comment that SME hotels often adopt good practice demonstrated by large competitors, but also adapt them for their special context. Unsurprisingly the Voluntary sector SMEs see commitments to wider society as their main focus, earning their VB designation. However even these, influenced by tighter audit reviews by the UK Charity Commission are changing systems to pass essential audits. They are also under pressure from their trustees to become more businesslike and less amateur, showing sensitivity to public concerns that charities often pass on a smaller than desired percentage of their revenue to the beneficiaries that they were designed to help. Law firms #PS46, #PS47 and #PS52, were very strictly policed by the professional conduct rules of the Law Society and voiced a great sensitivity to be seen to be conducting business in a responsible manner. There appeared to be no evidence of the 'precautionary', PSM attitude, in this survey. The practice by which senior managers cover their personal position in the event of company misbehaviour, with a 'shield' of CSR policy statements. This tactic is often critically cited as being the stance of large corporations.

The most surprising results came from an informal question which asked respondents to confess to breaking the rules. Either because of the confidentiality offered or because of a rationalisation that breaking rules could be justified, some did admit to at least bending the rules and some even to breaking the law.

Table 2 Stakeholder (SH) Engagement

	Internal SH engagement	SH conflict reported	Community engagement	Philanthropic activity	Environment initiatives
Hospitality	43%	Y	Y	Y	Y
Retail	20%	Y	Y	Y	Y
Prof Services	100%	N	Y	Y	Y
Manufacturing	27%	Mixed	Mixed	N	Y
Voluntary	80%	N	Y	Y	Y
Artisan	100%	Mixed	Mixed	N	Y

Table 2 evaluates internal stakeholder engagement. In the case of many dynamic entrepreneurs when they voiced their personal commitment and that of their organisation to CSR, they were surprised to be asked how their organisations responded to this or how this commitment was communicated. Encouraging employee engagement with CSR policy development is seen as essential if these policies are to be sustainable (Davies and Crane, 2010). Unpublished interviews with some of the managers within these organisations, witness a willingness to follow the entrepreneur, but some confusion on what the objectives, details of the policy or the means to achieve targets were. Some high percentages rather reflect the small size of the internal stakeholders, employees and family joint owners in particular. Low percentages often reflect the way in which small SMEs train and induct workers to follow a model of behaviour by instruction, rather than negotiation, particularly in the hospitality sector. Nielsen and Thomsen (2009) identify that SME managers have an 'inside out' approach to communication, emphasising the internal corporate culture. This sample appears to show better communication with external stakeholders.

It was interesting to identify that many recognised the problem of managing stakeholder expectations. To report such conflicts the respondents must have made some effort to

identify stakeholder needs and the capacity of their organisation to respond. The types of conflict reported varied greatly between respondents and were also dynamic e.g. #R38 reported extensive community engagement mainly in support for educational institutions, but found himself having to arbitrate between competing beneficiaries. The same entrepreneur reported that since the economic recession had forced tighter budgets, it had become more difficult to maintain the generosity of the philanthropic initiatives in the face of possible worker redundancies or falling profits.

The answers to questions relating to community involvement and philanthropy became combined in most cases. All seemed to feel that their organisations were part of the community and that they 'ought' to give something. While some recognised the good reputation that such activity could create which might improve economic performance, most seemed to do these things out of a principled commitment. In these cases, despite their laudable motives, they appear to be missing opportunities to develop a responsible brand image, which could be a valuable intangible asset.

Environmental initiatives were reported in all interviews. Most related to energy conservation or some form of ethical purchasing. The most comprehensive coverage of this area in terms of detailed environmental policy was the waste management company, #M25, which is governed by fierce regulatory rules and sanctions. For others Tilley's (2000) complaint of the lack of ethical theory within environmentalism, leaving concepts 'amorphous and nearly impossible' to operationalise, seems to still be true. Parry (2012) recognises this lack of clarity, but regrets that there is not more support for SME 'greening'. Perhaps the lack of individual impact in relation to the wider ecological challenges can only be addressed by SME collaboration and joint action with their stakeholders as advised by Spence *et al* (2000). The network solution is also supported by Murillo and Lozano (2009).

In Table 3, Ethical Risk Analysis seemed to be driven by fear of noncompliance with regulations, but some gave evidence of formal and most of informal attempts to review the most immediate risks. Most commented on their lack of expertise to conduct this exercise effectively. The curious no ethical risk assessment but risk management for the Voluntary sector relates to ad hoc adoption of some good examples of risk avoidance, even though

there were no formal plans or evidence of discussion, apart from the largest housing charity.

Table 3: Risk Assessment in the sample

	Ethical Risk Analysis	Ethical Risk Management
Hospitality	Some	Some
Retail	Some	Some
Prof Services	Y	Y
Manufacturing	Y	Some
Voluntary	N	Some
Artisan	N	N

Risk assessment of workplace health and safety was most evident in Manufacturing and Hospitality SMEs, as Granerud (2011) might have predicted. Interestingly all respondents expressed a willingness to collaborate with rivals, particularly other SMEs. Some were also in relationships with big firm rivals, but these were viewed as more of a threat. However such alliances appeared to be frequently changing and pragmatic, depending on contracts and the state of the wider market. Although there were instances of long term partnership with potential rivals, perhaps evidence of a form of Co-opetition (a hybrid of competition and cooperation).

No real CSR reporting or audit was evidenced to review the SMEs' performance, other than that required for financial or other regulatory external audit. However as Fassin (2008) concludes the absence of CSR reporting by SMEs does not necessarily mean that there is an absence of CSR activity. Most had no idea whether their responsible, ethically neutral or irresponsible activities had any impact on economic performance. Most seemed to volunteer their CSR stance as a 'natural' part of their personal style of management. Given the problems of calculating CSR's economic benefits to the company in the literature and in large corporations, this lack of knowledge seems hardly to be a criticism.

Interviewee comments are arranged in themes, as follows.

Theme 1: Mission

'It makes doing business a happier experience'. #PS72

‘It’s good for business’. #M60 Good reputation for delivery made the company a long term 2nd tier supplier in the automotive supply chain.

‘No time, no resources’. #R21

‘We are under pressure to obey more laws and regulations- ethics is a private matter for individuals’. #H67

SMEs unusually did have evidence for incorporating some reference to CSR in a mission statement, or company description. For most this was the result of adopting a company web site and being forced to articulate a description of who they were and what their objectives were. In forcing this reflection most incorporated some element of social responsibility in their pages.

#60 seems to apply the ‘good ethics is good business’ ideal, but #R21 and a number of others expressed doubts and /or lack of understanding of CSR, even if in later answers they appeared to be acting responsibly. Regardless of the motive for formulating the mission statement, Alvi and Karami (2009) believe this will improve performance; however this would be further enhanced if there had been employee involvement in the mission’s development. Significant employee engagement was largely absent in the sample.

Theme 2: Drivers

a) Law/regulation

‘The law and regulation forces us to improve these issues’. #R28

‘ISO 9001 was tough to achieve. We needed it to become a preferred supplier but we learnt a lot from the experience. If we lose the award we lose much of our business’. #M55

‘Our application for Investors in People forced us to create better systems to support our employees’. #V66

‘ISO 14001 was our way of proving we cared for the environment. We use the badge in all promotions and communications’. #M56

These quotations support the choice of ‘response to law or regulation’ as the main reason for CSR adoption. Again the lack of conscious adoption of CSR, which Jenkins (2004) commented on, led many to deny that they were sensitive to social responsibilities. Their small scale community involvement or philanthropy, or ethical relationships with employees or customers were often dismissed as just ‘business as usual’. Organising to achieve an ISO award or respond to changes in law e.g. the anti smoking law in the hospitality sector, forced a more overt recognition of potential social harms and the need to change policy. The response to regulation was not always negative, despite SMEs’ reputation for defending their independence. Some admitted that the law or enforced regulation was a benefit allowing them to adopt ethical policies without being undermined by less ethical competitors. It effectively ‘levelled the playing field’.

b) Supplier/customer pressure

‘We are supplier to large businesses, we have to adopt their CSR or lose the contract’. #M49

‘The Duty of Care means our supplier [sic customer] inspects us’. #M25 Waste Disposal Company

‘Scandals and health scares mean clean storage; supply conditions and distribution channels are a must’. # R34 Pet Food Retailer

There is evidence that SME CSR adoption will be influenced by changes in ethical demands along the supply chain or by campaign groups e.g. the Animal Welfare Campaign groups created changes in policy at the Pet Food supplier’s plant. Cambra-Fierro *et al* (2007) believe that a balance of law and market pressure must be achieved to promote CSR. This sample seemed to be influenced by both factors.

c) Personal ethics

‘As devote Muslims, our business honours Sharia Law and is therefore ethical’ #H17

‘We believe in giving to the community, not just taking’. #R34

‘We are in business to make a difference. We give people a choice. The big chains expect customers to take what they want to supply’. # H67 A small whole food restaurant.

‘Our business is a lifestyle choice. My husband and I used to work for big companies; we now work in the beautiful countryside. Our quality of life and relations with customers and suppliers is one of friendship as well as commercial. We don’t earn so much but are much happier’. #A75

Quotations which indicate that the personal morality and the central role of the lead entrepreneur or owner manager, means that she/he stamps their personality (including CSR commitments) onto the whole organisation. As a small business the owners can relatively easily witness the organisation following her/his lead. A number of Asian SMEs were included in the sample. As Worthington *et al* (2006) analyse, the ethnic communities offer coherent and strong ethical frameworks, within which they conduct business. The apparent powerful personal ethics of the family firm supports the work of Long and Mathews (2011).

Theme 3: Owner as the leader of CSR

‘This is my business. I set the scene. I don’t want others telling me what to do. I believe in trading fairly, so that’s what my business is like’. #R34

#R34 sets the record straight in an unambiguous language. The result for CSR will then depend on the owner’s own commitment to social issues. Many entrepreneurs are sometimes thought to display unconventional attitudes, so the resonance with society or social expectations may not be without some discomfort.

Given the nature of the sample and the questions asked, it was not possible to test Soriano and Martinez’s (2007) view that relational leadership impacts more than participatory leadership. Although some of the sample appeared more to display task leadership, which according to these authors can be counterproductive. Similarly Miller’s

(2011) analysis of the transformational entrepreneur who can develop the organisation into a virtue based enterprise, which will retain its CSR culture even when leaders change would require a more longitudinal study.

Theme 4: Family business factors

‘Our family believes in fair trading’ #H15

‘Ethics are a personal commitment of the family’. #R36

‘My family is religious; this is why we follow CSR policies’. #H10 A restaurant that does not open on Sundays.

‘Our family business is our investment, our pension fund. We want to keep our private and business life together. The business helps the family unify. The family helps the business care for all’. #A76

‘As a family business, I sometimes make allowances for relatives who work for us, which [sic] I wouldn’t make for non family workers’. #H14

This appears to be evidence for the important impact of family attitudes in many SMEs. There are criticisms including the possibility that the family in such enterprises might be exploited (not receiving minimum wages or working unsociable hours) but #H14 also states the other negative, that one does not choose ones relatives, but may have to employ them!

Theme 5: Stakeholder engagement

‘We have always contributed to local charities and town social events’. #R33

‘We sponsor students for school and university competitions, linked to the legal profession’. # PS43

‘My business is part of the community. I am a local JP [a local citizen judge]. We sit on the local community council, schools and sports committees. It’s good for business, but we also give something back’. # PS12 small insurance firm

‘Although some customers may let you down, long term customers are the strength of the business and worth looking after’. #H18

‘All the employees at our hotel are like part of the family, they have been here forever. Even when times are hard we try not to let anyone go’. #H18

‘We know our customers through and through. We can guess what they will need in the future and plan for it’. #R33

‘Suppliers trust us. They have given us credit to help our cash flow. They back us up, we will look after them’. #M71

‘Some customers are more important than others. Regulars expect us to deliver our promises. We would never want to let them down’. #R37

‘Our finance comes mainly from the bank. We communicate weekly. We know what information they need. In return they give us finance and good advice’. #H13

These quotations support the view that strong personal relations with customers, employees and the local community create a context where social responsibility to these close stakeholders becomes almost automatic (Quinn, 1997). There is also evidence of philanthropy, for some, the highest level of the CSR Pyramid. Philanthropy can take the form of participation and leadership in community affairs but also lending resources to local initiatives. Most of the SMEs did not think these efforts were remarkable and had to be encouraged to list initiatives by direct questioning. Such low profile self awareness, represents a lost opportunity to build a reputation for Social Responsibility, which can bring economic benefits (Nasruddin and Bustami, 2007). As Courrent and Gundolf (2008) argue embeddedness of the SME in its community generates a ‘community of ethics’ to which the SME adopts and contributes.

Theme 6: Bad behaviour

‘Not sure what ethics are’. #M41

‘We have offered presents to help get contracts’. #PS62

‘There is often an understanding between us and our friends in other businesses, when bidding for new contracts’. #M06

‘We have ignored some laws on safety equipment because we don’t use it very often. However I am the main user of the machines in this area’. #A77

‘The community only cares about jobs and low prices. To achieve this we have cut corners’. #H30

‘We have broken regulations on advertising of medicines in promotions in the past, especially when we were first starting’. #R21

‘We often take images and use them as our own from the web’. #H07

‘We play music in the restaurant but do not pay a fee to the musician’s union’. #H31

‘We have used unregistered workers on a casual basis’. #H05

‘The community seems to accept underage drinking. We have sold beer to some teenagers but only two, and then we send them home’. #H30

‘We have ‘stolen’ a drunken customer’s car keys to stop him driving home. He picked them up the next day by taxi’. #H08

‘Everyone cuts some corners, but there are important things we would never do to hurt regular customers, suppliers or employees’. #R11

‘We did not inform workers of likely redundancy, which we knew was going to happen. We needed them to work to the last minute, not be looking for their next job’. #M41

‘Some of our specials are yesterday’s unsold menu, on the edge of freshness’. #H09

‘In the past we were not careful about how we disposed of dirty oil. There was no easy disposal system in those days’. #M71

‘We tell the truth but not always the whole truth to customers’. #H16

These answers were the result of a direct question. They list some unethical actions and a few illegal ones. Interestingly even when admitting illegal behaviour, normally in a context of weak policing or sanctions, respondents were keen to explain the greater benefits of not always sticking to the rules. Serving underage drinkers was ‘condoned by the community’. Alternatively the bad actions were distant or made more ambiguous. Polluting the drainage system was ‘a long time ago’. #H09 did not actually admit serving unsafe or rotten food, but it was not really fresh. While there were no estate agents in the sample #H16 might have aligned himself with them, in his ‘everyone else is doing it, why not me’ attitude. As Dawson *et al* (2002) identify the lack of a single ethical perspective makes identifying operator good and bad behaviours difficult. Nevertheless the attempt by some respondents to justify their lapsed behaviour indicates that they have a guilty conscience, within their value systems.

Theme 7: Future prospects

a) *Internet*

‘The Internet and our lack of skills have led to us letting down customers’. #H20

‘We sell specialist meat and farm products on line. It has saved our business, but we are no longer ‘local’. Our community farm shop is now our website, so we are remote from customers’. #R38

The Internet creates great opportunities for SMEs to establish wider reach and network more cost effectively. However like any new technology it creates new ethical challenges.

As #H07 admitted the pictures on his web site were not always of his hotel or its environment, but they always looked inviting. #H20 experienced an overload and inability to deal with a surge in demand, resulting in many double bookings and angry customers. #R38 expresses the fear of losing 'closeness', when moving to an e-Business model.

b) Recession/competition pressures

'More competition means we can't afford more ethics'. #M02

'The law doesn't cover everything. If we go beyond what the law says, we will face higher costs than our rivals'. #M64

'The recession has forced us to cut out activities which do not directly pay back in an obvious way'. #PS32

'Our customers are outsourcing to developing countries, without regulation or minimum standards. We are under pressure to cut costs, even standards'. #M71

The interviews were conducted since the 2008 recession which is having a significant impact on the Welsh economy. In recessions SME tend to be the first victims, given their tight cash flow and reserve ratios. There is some evidence that some SMEs are cutting back on philanthropy and focussing on social responsibilities that are obligatory. Financial Executive (2011) reports on SME cynicism about the notion of corporate citizenship. It also warns about the current lack of resources and financial burdens of CSR initiatives. Perhaps ethics are seen as an expensive luxury in tough times.

c) Continuity

'As we got bigger communications got more difficult. The CSR concerns not covered by legislation can get left out, when other matters are more pressing'. #H05

'I worry that my kids do not want to run the business. They have different values to me'. #H31

These quotations illustrate the challenge to SMEs of ensuring continuity in management as past generations hand over to the new. #H05 also demonstrates that as the organisation grows or changes focus, it requires a new appraisal of its ethical risks and responsibilities. Mumby-Croft and Brown (2006) advise on the need for innovation of systems and policies in the plan for growth in SMEs.

d) Cooperation

‘Big competitors often exploit us, especially through subcontracting relationships’. #M64

‘We work with other small building firms, to cooperate delivering contracts too big for us to service’. #M55

‘As an organisation of small hoteliers in Tenby we have set standards that we all agree to uphold. This gives us a level playing field and improves the reputation of the whole industry in our town’. #H24

Relations with other companies are part of the stakeholder engagement. Collaboration may be forced or voluntary. There was some evidence that some SMEs resented the power of bigger competitors or corporate customers, who it was alleged forced down prices. Cooperation with similar sized organisations appeared to be more welcome. The size of companies that SME compete against can have an impact on their CSR (Fitjar, 2011). The hotel consortium mentioned by #H24, unites for purchasing, training, marketing, industrial representation and to ensure supply continuity, but fiercely competes when business is buoyant. The positive but cautious comments about competitors appear to resonate with Spence *et al* (2001).

e) Communication

‘Doing this session has made me think that we must take these issues seriously’. #M60

‘I assumed that all my people knew what mattered to me and the business, perhaps I should not take it for granted’. #R34

The interviews seemed to be taken seriously and did force some to reflect on their policies and how they could improve them. Better internal and external communications became part of many discussions. Employee engagement, skills and understanding are necessary for sustainable CSR in SMEs. This element seems to be one of the most critical features in the sample.

5. Discussion and conclusions

The respondents appear to confirm the understanding of SME CSR commitment and delivery. The interview process allowed unfamiliar concepts to be explained, but introduced the prospect of researcher bias, if the questioning became too intrusive or the recording of answers was inaccurate. The atmosphere of the interviews was friendly and positive. Respondents had volunteered, via their contacts with the University or the CMI and were happy to talk. Partly as a result of this convenience sampling it could be argued that the sample contained SMEs who were disproportionately positive in their commitment to CSR or disproportionately well educated, since they had contact with the university or had volunteered to attend training sessions. However the sample does contain examples of relatively uneducated entrepreneurs (who are no less profitable) and in discussion CSR concepts were translated using familiar analogies or contexts to reassure respondents.

To put some of the examples in context, Tables 4 to 6 adapt well known tools for analysis.

Table 4: Ethical –Legal interrelationships adapted from Henderson (1982)

	Ethical	Unethical
Legal	1. Charitable giving	2. Purchasing, but never checking that suppliers produce ethically.
Illegal	3. Not employing an alleged racist, who applies for a job in an Asian restaurant	4. Serving alcohol to underage drinkers in a family friendly pub

In Table 4 the examples of bad behaviour are interesting in that some are clearly illegal but others may be legal but unethical or not recommended. Complexity arises when dealing with different cultural contexts and moral precepts. Selling marijuana may be acceptable in some cultures, indeed possession of small quantities in the UK tends to lead to police cautions not criminal conviction, if the carrier is apprehended. However carrying large quantities or repeat offences may be dealt with more harshly. This practice is highly controversial. Society does not to have a consensus on all issues (Van Staveren, 2007). (Illegal drug dealers were not part of the sample). The rural pubs, who admitted to selling beer to underage customers, rationalised their policy. The customers were known to be over 16 years. They often came into the pub with their parents. They were never allowed more than two drinks. The alternative it was believed was a greater harm. The teenagers might be tempted by illegal drugs or cheap alcohol purchased from unscrupulous retailers or stolen from stocks at home. They claimed to create a safe environment where the teenagers could develop responsible drinking habits. While the cynic might add that the likelihood of a visit by the police was unlikely in such remote villages, it could be argued that these SMEs were rationalising their example with a move from quadrant 4 to 3. Few would normally admit to breaking the law, but for those with international business transactions, the potential conflict of different legal systems was raised by two SMEs, with particular reference to internet selling and importing supplies from countries with poor regulatory frameworks. SME CSR seems to be challenged by elements of the globalising economy, as noted by Nielsen and Thomsen (2009), similar to those faced by large corporations (Carroll, 2004). Even the ‘virtuous’ quadrant 1 could cause concern e.g. if an SME gave to a certain charity, in the knowledge that such an action might gain favour with a powerful trustee. Such self serving principles might cause a deontologist to move the action to quadrant 2.

Table 5: The ‘Enlightenment Matrix’ adapted from Cannon (1996)

	Ethical	Unethical
Profitable	1. Investing in energy saving equipment	2. Parking an ice cream/candy van outside schools at start and finishing times
Unprofitable	3. Retaining the employment of loyal staff even when business slows down	4. Closing down the business when the weather is good to go surfing

Table 5 offers in quadrant 1 the prospect of the ‘Good ethics is Good business’ cliché. Not creating policies in this area would seem to be irrational; however cases may exist due to irrationality or ignorance. As a result ethical campaigners tend to frame their promotion in terms of encouraging ethical actions which have a commercial payoff, albeit perhaps in the future or with rather intangible returns (Chambers and Lacey, 1996, Husted and Salazar, 2006, Hammann *et al*, 2009). Fuller and Tian (2006) give evidence that social capital generates competitive advantage. How this might be achieved is shown by the case of Fisher *et al* (2009). Porter and Kramer (2011) seem to reformulate this to urge companies to replace CSR with Corporate Social Value (CSV), by introducing policies valued by customers, to make progress on social issues but also protect economic viability. The example in quadrant 2 was volunteered by a retailer in the sample, but she enacted the ‘caveat emptor’ or ‘buyer beware’ defence. While most commentators restrict this defence to the case of children, vulnerable adults or products of great complexity, the retailer stated that children were already educated about the potential harm of sweet goods and could rationally exercise choice. Nevertheless she did comment that some schools had requested that she move her van and that most had now abandoned school sweet shops as part of their healthy eating campaigns. Several SMEs in the sample offered the example in quadrant 3, but did also say this policy could not be sustained indefinitely. Lifestyle choice was a big factor in the example given by the SME in quadrant 4. Again the SME partners did not view it as particularly unethical, given the low risk of harm. However depending on the retailer’s specialism, consumers’ guarantee of consistent opening time might be a cause for concern.

Table 6: Power/interest matrix adapted from Gardner *et al* (1986)

	Low level of interest	High level of interest
Low level of power	1. Minimal effort. Allow work experience school students to work in shop.	2. Keep informed Join the local council, keep planning committee applications under review
High level of power	3. Keep satisfied. Make sure restaurant is clean enough to pass safety inspections	4. Key players. Invite key customers to sport hospitality events

Table 6 offers a standard model to manage competing stakeholder interests. Where the interest is low and the power of stakeholders is low, the SME need not do anything to address stakeholder interests. The example given by one SME in quadrant 1, therefore demonstrates some social concern to give employment experience to young people. While a controversy rages in the UK that this can amount to ‘slave labour’ most SMEs who used this example, mainly in the retail and hospitality sectors seemed to take their responsibilities seriously. In having to deal with children and the resulting need for police checks and communications with school authorities, the SMEs involved were forced to conduct Risk Assessments, as part of the process. In quadrant 4 the key players will be different for every SME; the challenge is to maintain the relationships with the most important stakeholders in a socially responsible way. One admitted to giving gifts in the hope of retaining a contract. This could be interpreted as a part of normal inter business communication and hospitality but may also be considered bribery. SMEs were careful about the vocabulary used. Details of the gifts would need to be analysed to make a considered evaluation. Keeping the regulators satisfied was a general concern, quadrant 3. Fitness for purpose however was a phrase used that allowed respondents to deliver a less than perfect service but which was good enough to avoid sanctions. Such behaviour might be criticised when elsewhere the organisation was claiming a ‘Drive for Excellence’. As SMEs change and develop so will the value and interests of their stakeholders. Most respondents did not seem to be planning for change, making the assumption that the future would very likely resemble the past or that their main concern was survival in difficult times.

There are few quotations from the Voluntary sector, apart from the large housing charity #V42. The interviews identified that because their origins lie in targeting social benefits, the need for reflection on management and operations may have been neglected. 'We are responsible because that is what we have been tasked to do'. #V61 However as Cornelius and Todres (2008) comment, despite the positive external benefits, social enterprises may not fully understand the needs of employees, donors, servicing stakeholders and communities. When social enterprises are embedded in their communities, CSR seems to develop in a natural, if instinctive way. Research on their capabilities and strategy development, incorporating CSR appears to be needed.

This study does evidence SME CSR commitment, but also the rather haphazard and ad hoc nature of its adoption and delivery.

6. Future Research

The author was not able to review the full impact of the SME leader in this sample, due to the limitations of the interview structures. Future interviews will involve developing deeper case material, which could also review personal ethical development concepts to explain the level of commitment by these cases (Kohlberg, 1986).

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