

CORPORATE SOCIAL RESPONSIBILITY IN REGIONAL SMALL AND MEDIUM-SIZED ENTERPRISES IN AUSTRALIA¹

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ABSTRACT: The recognition that corporate social responsibility (CSR) is important for business sustainability has focused the bulk of research on explicit normative arguments for its adoption by large corporations. This ignores the role of small and medium-sized enterprises (SMEs) and the investigation of how such firms actually perform CSR activities. This study begins with the premise that SMEs may design appropriate CSR strategies to address issues in local communities. SMEs operate within these communities and subsequently are more aware of community and environmental issues than their larger counterparts. From this emerges the aim of examining the reality of this proposition from the particular perspective of a regional city in Australia. The results show a gap between normative CSR proposals and the actual operation of CSR processes in this cohort of SMEs in a regional community. What is exposed is the complexity of CSR 'on the ground at the business frontline'.

KEY WORDS: Corporate Social Responsibility (CSR), Small and Medium-sized Enterprises (SMEs), Australia, Sustainability.

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1. INTRODUCTION

Corporate social responsibility (CSR) has moved from ideology to business reality as the spillover impacts of business decisions on the social and physical environment - both negative and positive - increasingly become apparent to the wider community. This study aims to examine this reality from the particular perspectives of a small regional community (Ballarat, Australia), and the small and medium sized enterprises (SMEs) that consider themselves integrated into the values and attitudes of that community. This is an exploratory investigation into the dimensions, activities and barriers of CSR within the decision-making of these specific SMEs. Given the large research agenda on the strong business case for CSR and the lack of adequate investigation of what SMEs, in particular, regional SMEs actually do about CSR within their communities, this study provides a starting point towards a pragmatic CSR research agenda on SMEs and regional communities.

2. BACKGROUND

Governments, development organisations, media and academia world-wide have called for greater incorporation of CSR into business strategy. The intention being to engage in activities that address wider social, community and environmental issues with a view to improve the conditions of society at large, both locally and globally (Curran *et al.*, 2000; Jenkins, 2006; Blombäck and Wigren, 2009). The corporate world have responded to this call and a growing number of private sector enterprises, regardless of size, are now actively engaged in defining and integrating CSR into their businesses process and strategies, and reporting their social and environmental performance (Ogrizek, 2002; Tsoutsoura, 2004; Lu and Castka, 2009; Zu and Song, 2009).

Despite the continuing debates over what role businesses should perform in society (Bowen, 1953; Friedman, 1970), the view that businesses take a broader responsibility than economic alone and thus integrate CSR in commerce has received wide support for a number of reasons. Firstly, CSR is considered a key contributor of sustainable business development. For example, The World Business Council for Sustainable Development (WBCSD) defines corporate social responsibility as “the commitment of

business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life” (World Business Council for Sustainable Development, 2002). Secondly, it is seen as a necessary attribute of a modern business enterprise; for example, Knox *et al.* (2005: 8) view that “Corporate Social Responsibility is something that every board must now address in some form”. Finally, many authors assert that both large, as well as small businesses should integrate CSR for no other reason than for improved economic performance. Smith and Langford (2009) review the CSR literature and indicate that businesses benefit by being socially responsible from the viewpoint of risk reduction, financial investing and commercial benefit.

Whilst CSR is important for any business, regardless of size and sector (Hopkins, 2003), the bulk of literature in CSR has been limited to larger firms (Spence *et al.*, 2003; Perrini *et al.*, 2007). Blombäck and Wigren (2009) criticise researchers for their heavy inclination to follow the media which has published numerous stories mostly based on its knowledge of large, listed and widely recognised companies.

Even though the CSR agenda has traditionally been linked with large corporations, there has been an increasing expectation and pressure on SMEs to engage in CSR initiatives and reporting of such activities (Jenkins, 2006; Murillo and Lozano, 2006; Fassin 2008). It is argued that the CSR movement would advance if SMEs actively participate in it. The rationale behind this argument is supported by the fact that SMEs are “by far the most common form of private business in both developed and developing economies” (Spence, 2007: 534) and they account for 50 to 60 percent of employment (Raynard and Forstater, 2002; Global Reporting Initiative, 2008). Individually, SMEs may not have a powerful impact on society and the natural environment, however, because of the enormous presence of SMEs in most economies, their aggregate achievements could be considerable (Spence *et al.*, 2003; Jenkins, 2006). Further, SMEs are perceived to be better positioned and equipped to design appropriate CSR strategies to address the needs of the local communities and environment as they operate “on the ground”, have closer links to them, and are more aware of local environmental risks and emerging social issues, than their larger counterparts (Raynard and Forstater, 2002; European Commission, 2003; Sweeney, 2007). While quoting Fuller and Tian (2006), Azmat and Samarantunge (2009: 440) note that “as the business relationship of SMEs with their stakeholders is

largely personal; their business reputation and the embeddedness of the firm within their stakeholder communities naturally play an important role in shaping their socially responsible behavior". SMEs are also considered more capable than their counterparts to respond to social and community needs due to their flexible organisation and simple ownership structure (Sarbutts, 2003; Sweeney, 2007). Despite this normative support, empirical research on CSR in SMEs has been very limited and it has only recently attracted interest from academics (Spence and Rutherford, 2003; Fassin, 2008; Blombäck and Wigren, 2009). The importance of research concerning such issues in the domain of SMEs, where personal relationships with stakeholders are normally important, is highlighted in the literature (Fuller and Tian, 2006).

Unlike the rest of the Western world, academic CSR research has been inadequate in regards to the Asia-Pacific region (Baughn *et al.*, 2007) and Australia in particular (Warburton *et al.*, 2004; Jones *et al.*, 2007; Harley and Warburton, 2008). The focus of existing Asia-Pacific based literature has also been on CSR in large businesses. Although researchers have now recognised the importance of ethics and corporate social responsibility in SMEs, there has particularly been a limited academic research on how SMEs engage or might further engage in CSR activities in Australia (Schaper and Savery, 2004).

Further, CSR practice by SMEs in regional (non-major metropolitan) areas is almost non-existent, although from the previous argument such enterprises in smaller communities are better positioned to contribute to local community building and social wellbeing. This paper makes an attempt to contribute to the narrowing of this knowledge gap. In particular, it aims to explore the meaning of CSR to SMEs operating in a small regional city in Australia. The practices, motivations and barriers to the implementation of CSR in these SMEs will also be investigated.

3. LITERATURE REVIEW

There is a vast academic literature on CSR given the high ranking that this issue has created in theoretical and managerial discussions (Lindgreen and Swaen, 2010). The review below concentrates on the two aspects that impact on the study being conducted. One relates to understanding the meaning of CSR, and the other to the role, challenges and motivations of SMEs in

respect to CSR activities. Due to the dearth of prior CSR research specifically in regional enterprises, our literature review is largely based on CSR literature in general and SMEs in particular.

Definition of CSR

Many attempts have been made to provide a robust definition of CSR; however, a conclusive definition is yet to emerge. Authors have used various methodological approaches such as literature review, empirical investigation and theoretical reasoning to determine what actions CSR should represent. CSR literature has presented a number of similar concepts such as corporate citizenship, corporate social performance, social marketing, responsible entrepreneurship and corporate philanthropy (Engle, 2007; Blombäck and Wigren 2009). As many such concepts frequently overlap and interrelate, making a clear distinction between them is often difficult (Waddock, 2004). Dahlsrud (2008) reviews the similarities and differences of 37 definitions and identifies five dimensions of CSR; environmental, social, economic, stakeholders, and voluntariness.

Perhaps the most frequently quoted definition of CSR is that of Carroll (1979, 1991). She divides corporate responsibilities into four areas, which are economic, legal, ethical and philanthropic. Lantos (2001) divides business responsibilities into the three areas of ethical, altruistic and strategic. Some authors, however, suggest that CSR addresses issues beyond economic, technical and legal responsibilities of business (Davis, 1973). The most recent definitions describing CSR have been influenced by stakeholder theory which emphasises that CSR-focused companies attempt to satisfy expectations of a wide group of stakeholders (Vos, 2003). However, developing the definition is difficult as CSR is viewed as a social construct (Berger and Luckmann, 1967) and may mean different things to different stakeholder groups and businesses of different type or size (Lepoutre and Heene, 2006; Smith and Langford, 2009; Yang and Rivers, 2009).

Although many SMEs encounter difficulties in understanding the concept of CSR, they have offered wide interpretations of the term (Jenkins, 2006; Roberts *et al.*, 2006). These commonly include engaging in philanthropic activity, building a good relationship with the community, doing business within the community, addressing environmental concerns, taking care of employees and providing an enabling working environment (Roberts *et al.*,

2006); “putting something back”, providing employment, supporting the local economy, reducing the use of harmful chemicals (Jenkins, 2006); volunteering, donating time or money and recycling (Sweeney, 2007). This wide list of CSR behaviour provides no clear critical measure or assessment of what CSR activity can involve (Lindgreen and Swaen, 2010).

Understanding that CSR is socially constructed within a specific context (Dahlsrud, 2008) provides one critical approach to defining CSR. For this study, the context is regional SMEs as this provides a focus on knowledge building of how SMEs themselves define CSR (Spence, 2007). Therefore, one aspect of this paper concentrates on developing an understanding of the meaning and conception of CSR in regional SMEs as it is viewed and elaborated by their own language and practices.

CSR in SMEs

Lee (2008) observes that the vast majority of CSR research focuses almost exclusively on large corporations (Lindgreen and Swaen, 2010: 5). Despite the important contribution that SMEs make in the world economy and their impact on both the social and natural environments, the issue of CSR in SMEs has not yet received adequate research attention (Lepoutre and Heene, 2006; Fassin, 2008; Blombäck and Wigren, 2009). Further, much of the existing literature on CSR in SMEs is either prescriptive or normative without being extensively empirically grounded. This is largely due to the inclination of researchers to adopt the large businesses framework as the norm for CSR strategies and tools development in the SMEs field, which is broadly guided by assumption that “SMEs are little big business” (Jenkins, 2006). Authors have suggested the need for more research on CSR in SMEs, not only because it will help advance the wider knowledge of CSR, but also to explore how CSR can be promoted among SMEs. In response to this, academia has come forward to investigate how SMEs engage in CSR and how they perform it to attain the goal of sustainable development (Fassin, 2008; Blombäck and Wigren, 2009).

Lepourte and Heene (2006: 257-8) quote a common assertion among authors that SMEs “are socially responsible by nature....but they just do not know that they are”. While reviewing the existing SME literature, Azmat and Samarantunge (2009: 440) note that SMEs “often unknowingly adopt socially

responsible practices or follow a silent or sunken version of CSR, have a special relationship with specific stakeholders...and are willing to sacrifice some of their profits while serving a greater goal". Likewise, Fassin (2008) maintains that SMEs engage in responsible business practices even though they do not publish formal social reporting. Spence (2004) argues that SMEs are largely rooted in local communities and their physical proximity to customers and community may translate to moral proximity which can focus the mind of owner/managers considerably on socially responsible behaviour. Further, as clients and employees become visible in the local communities in which SMEs operate, these SMEs build and enhance their reputation, which in turn augments their business competitiveness. This chain of events largely depends on how well an SME's activities are aligned with the exigencies of its local community. Hence, SMEs would naturally engage themselves in CSR activities. The constant interactions of SMEs with the local communities and the knowledge they accumulate throughout can help them design sustainable strategies that serve the community well.

Despite the argument that SMEs are better positioned to engage in CSR activities than their counterparts (Raynard and Forstater, 2002; European Commission, 2003), a number of authors have indicated that SMEs are rarely engaged in formal CSR practices and that they encounter more challenges than their larger counterparts in implementing in CSR strategies (Lepoutre and Heene, 2006). This lack of engagement is largely attributed to the lack of awareness of the SMEs about the significance of their engagement in CSR (Tilley, 2000; Hitchens *et al.*, 2005). Small businesses generally view that they lack time, resources and support necessary to engage in more thoroughgoing CSR activities (Tilley, 2000; Jenkins, 2006; Sweeney, 2007).

Empirically, the size of enterprise has been identified as a barrier for SMEs to engage in CSR practices (Murphy *et al.*, 1992; Brammer and Millington, 2006). Nevertheless, a number of researchers suggest that this barrier may not prevent SMEs from engaging in CSR activities (Castka *et al.*, 2004; Vives, 2006), and that SMEs may actually benefit significantly from doing so. The major benefits that SMEs actually realise from engaging in CSR may include good image, trust and reputation, improved market position, enhanced employee motivation, risk management, and cost savings (Jenkins, 2006). Some authors, however, view that business benefits are not the deciding factor for SMEs to engage in CSR, it is rather the values and

attitudes of owner/managers that largely drive CSR among SMEs (Hopkins, 2003; Spence *et al.*, 2003; Spence and Rutherford, 2003; Jenkins, 2006).

Integration of CSR is considered important for any size of business organisation, and this can influence society and the environment through the firm's relationship with stakeholders, delivery of products and services, and the way business is conducted. Despite recognition of the importance of CSR in SMEs, practice seems to be rather weak. For example, a survey by KPMG (2009) shows that 38 per cent of businesses in Australia have taken steps to reduce carbon emission or energy output and only 17 per cent of them are SMEs. The knowledge of CSR strategies and practices in SMEs in Australia is very limited. Academic research about CSR practice in regional SMEs is limited in particular to three recent studies that the authors are aware of. One is a quantitative survey of CSR in 194 Northern New South Wales (NSW) SMEs by Lucas *et al.* (2009). This study, using scales devised by Besser (1999) for Iowa (USA), concludes that Northern NSW SMEs "displayed low levels of socially and environmentally responsible actions" (Lucas *et al.*, 2009), reflecting poor integration of CSR into business organisation. Two studies interviewing 18 owner/managers of SMEs in Whyalla (Sawyer and Evans, 2010; Evans and Sawyer, 2010) identify ad hoc interaction with the local community on social initiatives, and some business integration of basic environmental actions (e.g. recycling, power and fuel saving) as part of their usual business operation. All three studies imply that there is a lack of integration of the CSR agenda in any coherent or strategic manner, but none of them specifically addresses this issue. This paper aims to explicitly examine the nature and content of the CSR agenda within the practices of eight small businesses based in the Victorian regional city of Ballarat, Australia.

4. INTRODUCTION TO BALLARAT

Ballarat is Victoria's largest inland city with an estimated population of 94,088. Elevated at 450 meters above sea level, Ballarat is situated approximately 110km north-west of Melbourne, the capital city of the State of Victoria (City of Ballarat, 2010). In 1851 Ballarat became famous when gold was discovered in the area. Within a year 20,000 inhabitants invaded the

region searching for gold, creating a city connected by road and rail to Melbourne and the populace eastern seaboard (Ballarat.com, 2010).

The data was collected in the first half of 2009 during economic and ecological crises. The Global Financial Crisis (GFC) had just emerged in late 2008 and was beginning to impact on the city with closures of some long standing manufacturing firms like John Valves. All firms in the data collection survived through this period due to effective government support and their own resilience. Also, in 13 years up until 2011, Ballarat experienced a severe decrease in average rainfall. This drought was evidenced by the town's famous lake, Lake Wendouree (a source of major social and recreational activity), totally drying up and the implementation of Stage 4 water restrictions (Victorian Water Industry Association Inc., 2005). The City of Ballarat, The Central Highlands Water Commission, and the State Government of Victoria initiated a number of projects designed to ensure the city a steady water supply and facilitate the long term regeneration of the lake. Through the drought, the residents became very proactive by redirecting grey-water from homes for outdoor cleaning and use in gardens. Public and private actions during these crises indicate competent community response to significant economic, environmental and social concerns.

5. METHODOLOGY

The methodology chosen for this study reflects two issues. One is the nature of the owner/managers who participated in the study, while the other is the nature of the CSR process under investigation. The firms asked to participate operated an SME within Ballarat City in 2009. They came to be contacted due to some member of these firms having attended an advertised session on "how to make your firm more green", called *SmartGreen*.² The session was held at the University of Ballarat under the auspices of the Centre for Regional Innovation and Competitiveness (CRIC) in mid-2008. Attending this session clearly identified that decision-makers in these firms

² *SmartGreen* is an initiative of CRIC, University of Ballarat, and the Ballarat City Council to assist small businesses in the Ballarat region to be more entrepreneurial and access new business opportunities from sustainable environmental policies and the development and delivery of environmental services. For more details, see www.MySmartGreen.com

recognised the value of being environmentally conscious at least at a personal level. On a broader base, it indicated that these owner/managers had a sense of community both towards the environment and the learning community based around the university.

The nature of the CSR process being investigated was not some perfunctory CSR reporting process as discussed by Fassin (2008). Instead, this study aimed to appreciate the types of CSR activities actually being engaged by these firms. This was investigated through the owner/managers who are the decision-makers in SMEs with potentially the “strongest influence within the firm” (Sawyer and Evans, 2010: 257). These owner/managers were identified in this study through their attendance at the *SmartGreen* session, a commitment by their business to social responsible activities within the community of Ballarat. Eight of these businesses agreed to participate in one in-depth interview each on the nature of their firms’ CSR commitments and how such commitments were reflected in their normal business activities.

The businesses that agreed to be interviewed formed a purposive selection of firms in this qualitative study. This was based on the social responsibility aspects of these businesses through their active session attendance, and then agreeing to be interviewed when they were informed that the nature of the interview was the CSR issue. Thus, the “selection” was for the purpose of identifying CSR dimensions and activities from this specific group, and not as a statistically representative sample of all SMEs in Ballarat. Purposive selection was an appropriate qualitative sampling method in this study because it was decided that these eight businesses should be the focus of investigation as they had shown some awareness of CSR. From a psychology research perspective, Polkinghorne (2005) argues cogently that selecting in this purposive way enables the researcher to learn deeper and more substantially about the experience under investigation, in this study it is the CSR experience that is under investigation. Pansiri (2006) explains how this methodological position by Polkinghorne can be also applied very effectively in business research (in Pansiri’s case this is specifically tourism business). Pansiri (2006) emphasises that the quality of the input is what matters. For this study, the quality of the in-depth interviews is the crucial issue and not the number of interviews. As Shaw (1999: 63) argues, purposive sampling “...demands that if the researcher is to develop a comprehensive

understanding of the research problem, the number of cases involved must be significantly less than when using probabilistic sampling.”

Specifically, CSR decisions by owner/managers at the core of this inquiry are a function of a socially constructed process that aims to deliver commercial outcomes, congruent with the highest social and ethical values aspired to by the community in which the SMEs are operating. What this study is aiming to understand is the actual pragmatic decisions that SMEs owner/managers make that are congruent with the social and ethical values of the community that they are engaged with every day.

The semi-structured interview method was constructed to take account of particular CSR experiences of these specific firms and to facilitate the investigation of their experiences. A semi-structured questionnaire was designed to examine each firm’s CSR experiences in terms of areas of focus, why engage, how long, how managed, barriers to engagement and support required.

Data Collection

The data was collected by interviewing owner/managers of eight regional enterprises operating in Ballarat. The businesses interviewed are set out in Table 1. The questionnaire was completed in the presence of the interviewee. The conversation continued after the questionnaire to elaborate on some of the earlier responses to the interviews. All this information was recorded contemporaneously so that it could be included in the content analysis. Each transcript including the responses of the interviews were then put into a web-based word cloud program known as Wordle to discern the most common words in the conversation. The clouds give greater prominence to words that appear more frequently in the source document. The subsequent cloud pattern was then compared to the source documents to identify the significant dimensions of CSR that form the basis of the findings discussed in the next section. Primary data as quoted statements by the interviewees that are referred to in the remainder of this paper are identified by italics with double quotation marks.

Characteristics of SMEs Studied

All of the firms interviewed were independent SMEs with their roots in Ballarat where they all started their businesses. Three of the eight firms had offices in other regional areas in Victoria but their head office was in Ballarat. In all instances except one, the owner/manager of the firm was interviewed. In the one exception, the General Manager was interviewed. The firms ranged in size from nine employees to 114 employees. The shortest period any of the firms had been in business was five years whilst the longest was 82 years. Whilst three of the owner/managers had been in this current business for less than 20 years, all except one had been in their own business more than 20 years. The characteristics of the SMEs interviewed are presented in Table 1.

Table 1. Characteristics of the SMEs Interviewed. Source: Interview responses

SMEs	Industry Sector	Number of Employees	Years in Business	Respondents	Interview Location	Data Recording	Interview Length (Minutes)
A	Printing & service to printing	9	30	Owner/manager	Business Premise	Recorded & transcribed	70
B	Textile fibre, yarn and woven fabric manufacturing	34	29	Owner/manager	Business Premise	Recorded & transcribed	75
C	Cafés and restaurants	10	6	Owner/manager	Business Premise	Recorded & transcribed	70
D	Clubs	14	82	Owner/manager	Business Premise	Recorded & transcribed	80
E	Furniture manufacturing	42	30	Owner/manager	Business Premise	Recorded & transcribed	70
F	Building completion services	15	13	Owner/manager	Business Premise	Recorded & transcribed	70
G	Building completion services	18	5	Owner/manager	Business Premise	Recorded & transcribed	75
H	Other construction services	114	82	General Manager	Business Premise	Recorded & transcribed	70

6. FINDINGS AND DISCUSSION

Meaning and Dimensions of CSR

All of the SMEs owner/managers interviewed were able to provide an elaboration of the term ‘CSR’ in their own context and identified the three

important dimensions of CSR; which were business, community and environment. The analysis of CSR nodes in order of importance indicates that these SMEs considered “*business*” twice as important as “*community*”, and “*community*” was one-third more important than “*environment*”. The commonly offered meanings of CSR included good business practice, good customer service, being involved in community, giving back to the community, and making business environmentally friendly. Table 2 presents the dimensions of CSR and the meaning provided by the interviewed SMEs. The three dimensions of CSR emerging from the interviews are discussed below.

Table 2. Dimensions of CSR and their Meaning as Viewed by Interviewed SMEs. Source: Interview responses

Dimensions of CSR	Elements	Meaning of Activities
Business	Good business practice <i>Employee welfare</i>	Taking care of employees, job security, supporting work-life balance
	<i>Good customer service</i>	Give customers what they want High level of customer satisfaction
Community	Community involvement	Firm’s impact on the community Community involvement and support
Environment	Environmental sustainability	Being ecologically responsible

Business Dimension of CSR

While elaborating the business dimension of CSR, to varying degrees, six of the respondents referred to “*good business practice*” as the most important element. By good business practice, the respondents generally meant offering good customer-centric services as well as looking after employees’ interests. While explaining good business practice as it relates to offering good customer services, the respondents generally meant “*giving customers what they want*” or in another respondent’s words, “*ensuring 100 per cent*

customer satisfaction". Although there was a concern among the respondents on how to achieve this goal at a wider scale, many of the respondents highlighted the importance of good customer services as the critical element of CSR in SMEs. One of the respondents mentioned "*..whilst you cannot please everybody you should at least try*".

In elaborating good business practice as it relates to employees' interest, the respondents viewed that CSR-focused businesses should also be responsible for employee welfare by providing "*continued employment*" and through "*...paying employees fairly and regularly, providing a good physical working environment, taking care of employees, supporting creative work of employees children and providing support to work/life balance principles*". The employee aspect was considered a particularly important issue in Ballarat at the time when the interviews were conducted. This was because several of Ballarat's largest employers had either closed or retrenched over 800 members of their workforce resulting in significant employee job loss. Given the background of the 2008-09 GFC, it is not therefore surprising that the owner/managers interviewed regarded this aspect as the most important. It should be noted that skills development activities were not specifically investigated, nor did the respondents view such activities for the workforce as part of SMEs' CSR activities. This might be due to the fact that often the skills development efforts are not formally organised in SMEs and employees principally learn new skills by working on the job. Therefore such skill development efforts were not considered as a distinctive CSR effort by the sample businesses.

All of the respondents agreed that in the context of the business environment, SMEs must ensure good business practice in their business operations. One owner/manager expressed this view succinctly by stating, in the words of one respondent: "*All the aspects of good business practice should be embedded in day to day operations of the business*".

Community Dimension of CSR

For most of the SMEs, being socially responsible also meant being involved in the community. In the language of one respondent this means "*...business's impact on the community and community involvement and support*". All respondents considered that the issue of how they managed the

operation of their business to produce an overall positive impact on community was a crucial dimension of CSR. For example, one relatively large SME viewed “*CSR as community support*”, while another respondent puts it in the following language:

CSR is concerned for the welfare of members in the society. We are concerned with the impact the business has on the broader community and being aware of what the business can do to affect the quality of life for the community....Providing a range of services and facilities that helps their wellbeing.

A number of respondents agreed that being involved with the community provides competitive advantage and assists in the long term survival of the business. This was reflected in one of the owner/manager’s responses: “*It’s difficult for my major competitors to break into this market when we are so much part of the community*”. They also viewed that SMEs enjoy the advantageous position over larger businesses in their ability to engage in community work. In the words of an owner/manager: “*We are embedded in the community because I can walk into a restaurant like this and know the person I am talking to. Our potential competitors who are based in big cities could not do that*”. These responses recognise what Lindgreen and Swaen (2010, p. 3) note, that CSR programs offer a “win-win” scenario for the organisations and the community in which they operate.

Environmental Dimension of CSR

Being environmentally responsible did not register as being as important as one might assume, given that “*SmartGreen*” was the initial contact point, and especially with Ballarat’s environmental concerns involving water shortage and drought, increasing energy costs, and general climate change awareness³.

³ As evidence of this, Ballarat Renewable Energy And Zero Emissions (BREAZE) is a locally formed group who are concerned about climate change and aim to actively reduce greenhouse emissions in and around Ballarat. BREAZE was formed in December 2006 and has become one of the largest and influential environmental community-based organisations in Australia. For details of achievements, see: <http://www.breaze.org.au/about-breaze?start=5>.

In support of this, the Wordle cloud depicted no specific ecological-oriented words at all. Only the word “sustainable” appears, but this has varying contexts including simply a profitable business. Whilst all the interviewees acknowledged this environmental dimension as an issue in vague and different words, they did so with varying degrees of importance, with only three indicating protection of the physical environment as a key dimension to CSR.

Whilst three interviewees considered the ecosystem important, only two of the eight interviewed, both manufacturers, considered it to be “the most” important aspect of their social responsibility. One of the two manufacturers had received many accolades to do with innovations regarding water and energy usage. This owner/manager viewed that “...*being environmentally responsible is the future of business and that those who ignored it did so at their own peril*”. The other manufacturer said that this was a critical area:

...but it was difficult to determine how best to approach this problem given there was little information and support from my suppliers and the industry in general, particularly at the moment when most firms were just striving to survive. Therefore, there was little information on how to become sustainable, because customers didn't seem to want it and it wasn't their main concern.

The third owner/manager who said that it was important questioned the cost/value of adopting environmentally sustainable strategies, arguing “...*the value of this approach is very difficult to measure, I'm not sure it's worth doing at this time given the cost/value*”. As one of the other interviewees said in regard to this environmental dimension, “...*this is not something our customers ask for and our industry doesn't focus on*”.

CSR Activities

All the firms regardless, of sector, believed that they engage in CSR by creating employment for local people as well as supporting community organisations. From time to time, all eight SMEs have been involved in supporting community organisations such as clubs, associations and civic organisations. Engaging CSR via environmental activities was much less

evident.

The most common type of CSR activity relates to community development and appears in the form of ad hoc philanthropic donation of money, time and in-kind support. In addition, all but one (the youngest) of the SMEs had contributed by working as partners for community organisations through provision of their time and technical expertise free of cost. For example, one SME owner/manager in the hospitality industry participated voluntarily in the tourism board to contribute to the development of hospitality and tourism policy. Another SME nominated an engineer to various water steering committees in Ballarat where water crisis is the major environmental concern for the development of the region. This SME believes that “...it is good for the community and it is in our interest to help the community’s sustainability”.

Evidence from the interviews indicates that half of the SMEs carefully targeted their CSR activities. They mostly chose opportunities as were presented to them by different stakeholders. One SME supported its employee’s child who was an elite swimmer. Another SME contributed to the support of policy formulation by water authorities, as supply of water is considered critical for its success. Yet another SME in the hospitality industry supported only community groups which bought its services, and a SME retailer served as the chair of the local regional business development committee. One owner/manager said community support was based on providing the “...biggest bang for my buck”. This comment was echoed by all interviewees. Only one did not provide money, but instead provided in-kind support to groups or organisations that were perceived as having a need. Notably, Ballarat has amongst the highest rates of cancer for a regional Australian city, it therefore has a large cancer research unit; all but one of the firms interviewed provided financial support to this unit.

Examples by the interviewees of environmental CSR activities were limited. One SME used carbon neutral paper in its printing. The award winning SME manufacturer mentioned above invested a considerable amount of money collecting and recycling rainwater for its own high water usage. Another firm designed their new manufacturing plant to make the most of solar radiation thereby reducing their power usage. Of the firms interviewed, the resource intensive ones seemed more likely to take on ecologically responsible activities, whilst the others for whom the benefits did not appear clearly identifiable were less likely to become involved in such activities.

Overall, the view that customers are the key driver for CSR engagement was found common among all the SMEs owner/managers interviewed. In the words of one owner/manager "...customers expect businesses to be socially responsible", or "...to do the right thing". However, there was evidence that engagement in CSR was not always driven only by business interest or by pressure from external forces including customers. Sometimes it was internally driven by the owners' consciousness for community and/or environmental wellbeing. This was reflected in the words of one owner/manager: "...this community has supported this firm so it's up to me to ensure that I have a positive impact on the community". In the end, CSR motivation is complex, because such altruistic motives in a small regional community can also be blurred as it overlaps with business interest as expressed succinctly by another owner/manager: "We do this because we care about the community, the employees and the environment. It's also important to our business because this helps us remain competitive by reducing our costs".

The CSR approaches of the SMEs interviewed were at various stages of development. Half of the firms had a CSR policy embedded in their organisation's strategy, even though this did not mean that they only undertook initiatives that were incorporated into this strategy. All of them had contributed to fund-raising events, promotions and sponsorships, but in almost all cases, such community initiatives were carried out on an ad hoc basis. The contributions were made through networks, or when they had the time and money to contribute to a good cause. The fact that SMEs engage in CSR under different conditions certainly raises questions about how to sustain CSR initiatives of this nature in order to make a real long-lasting contribution to sustainable development. In only one case out of the eight SMEs studied was there a strategic approach to environmental responsibility through environmental management systems.

The findings on CSR engagement in the Ballarat regional SMEs reveal that they are congruent with findings of other SME studies on CSR activities in non-regional contexts (Jenkins, 2006; Sweeney, 2007). The exception in this study was the relatively low engagement with environmental CSR, which is only supported by one regional Australian study on CSR (Lucas *et al.* 2009) as far as the authors are aware. Using the stakeholder engagement theory of CSR (Maak, 2007), this study of regional SMEs recognises that in CSR

initiatives the major community and environmental stakeholders play vastly varied roles with distinctive barriers clearly arising in the process.

Barriers

The key CSR barriers identified by all eight SMEs were time, money and resources. Without exception all the owner/managers testified that time and costs were the main reasons that they would not, or could not, engage in more socially responsible practices. One of the larger SMEs quoted that: *"We'd like to do more but for us we still have to make money"*. All respondents reported that they did not start contributing to the community until such time as they felt that they had a sustainable business. This period varied, one owner/manager suggested four years until he felt he could afford to, whilst another business operator whose company had been operating for 84 years said he still felt uncomfortable doing this because *"...you never know just when you need that time or money"*.

Of the eight respondents only one had a negative attitude towards CSR: *"It's hard to be responsible (do the right thing) when you see others aren't, but they are still successful"*. This same owner/manager did not consider that *"...paying employees regularly and fairly"* was a regulatory requirement but merely socially responsible behaviour. This attitude could probably be explained by the owner's negative attitude towards his seven year old business whose sales had declined over the last two years and was desperate to sell the business.

The issue of "doing the right thing" raises the distinction between strategic and moral behaviour identified by Noland and Phillips (2010). These authors see this distinction as undermining rather than enhancing the "just" engagement of stakeholders in CSR activities, because strategic CSR action can be seen as a form of marketing strategy (or "spin") in attempting to boost the firm's moral stance in a small community. In regional communities, any such strategic behaviour that did not result in concrete CSR results would be quickly recognised as such and would create negative rather than positive implications for the firms' business image. This issue emerged as a potential problem when integrity and honesty did not gain support from all the owner/managers interviewed. Only one responded that it was crucial to his business success, and none of the other seven mentioned it. When hinted at

by another respondent, he offered the view that “...it’s a worthwhile value but unrealistic in today’s competitive environment”.

7. CONCLUSIONS

Along with the evolutionary path of CSR research that Lee (2008) identifies, this paper has taken both the newly developed avenues of micro organisational-level analysis and non-normative performance-oriented study. This is revealed by the examination of the reality of CSR strategies and practice from the particular perspective of eight SMEs in a small regional community. The results show a very large gap between academic normative CSR proposals and the actual operation of CSR processes. A result that was implicitly identified in three other regional SME studies of social and environmental responsibility (Lucas *et al.*; 2009; Sawyer and Evans, 2010; Evans and Sawyer, 2010), but explicitly shown in this study. What is exposed is the complexity of CSR “on the ground at the business frontline”. On the one hand, there are the strong positive business gains and community links that such small enterprises recognise and feel obliged to carry out. On the other hand, there is the lack of understanding by these firms of the totality of CSR engagement, and the inability to pursue such a complete strategy due to lack of time, resources and the relative lack of appreciation that their customers and other external stakeholders have about their role in CSR. Complexity arises when responses by the owner/managers show that they clearly see the “win-win” scenario for business, community and the physical environment; but this scenario can never be fully achieved due to the barriers that are inherent within the very circumstances of these relatively small under-resourced firms and communities. This complex dilemma is further complicated by the inability of the respondents in the interviews to articulate any strong moral position on integrity and honesty when it came to CSR actions.

Whilst being part of the community seems to figure prominently in the cohort of owner/managers interviewed, environmental sustainability raised the greatest number of barriers. What emerged is the issue that if there is not enough stakeholder (especially customer) support for environmental sustainability then it seems, according to this cohort, unlikely that businesses will engage in any significant environmentally sustainable practices. In the

context of local issues like huge water shortage in Australia and global issues of peak oil and climate change, this utilitarian attitude to the damage that commercial enterprise has inflicted on the ecosystem is a serious problem to be addressed for any normative CSR strategy. Especially in the context of small regional communities in which exists strong denial that such environmental damage is anything more than short-term strains that will be overcome when nature will again provide (Courvisanos, 2009).

Unlike the previous studies of regional CSR in Australia, it is clear from this study that customers were considered the key driving force to engage in CSR practices. This emerges as crucial for those who are interested in carrying the CSR movement forward particularly within regional business settings. This suggests that public and private organisations should develop strategies that seek to engage customers, as important stakeholders, for effective integration of CSR initiatives. This is of particular concern in the smaller regional and rural communities of Australia where broader global issues of social and environmental concern are harder to grasp and deal with (see Lucas *et al.*, 2009). Most particularly, if the majority of customers pay no attention on how degradation of environment could cause a significant consequence for human lives and climate, the CSR movement may stall and fail to contribute to the attainment of its wider goal of sustainable development.

Success in adopting the CSR agenda in regional small firms has been shown to be limited and highly contingent. The lack of time and resources in small scale businesses emerge from this study as major obstacles, together with the limited and blurred way that CSR has been embraced. What is required is an effort to create a wider awareness in customers and other stakeholders about all aspects of this CSR agenda, particularly environmental degradation, as well as building partnership of customer groups with agencies or initiatives that work for social and ecological sustainable development (e.g. community child care, mental health advocacy centres, sustainability streets, transition towns, community gardens, wildlife protection groups). Such a strategy requires a much wider and thoroughgoing normative CSR research agenda than has been evident so far.

Part of such a wider strategy may warrant consideration for facilitating partnership building between regional SMEs and large corporations which have already demonstrated leadership in CSR in the same region. In addition to working together on CSR initiatives, such partnerships would also help

build the capacity of regional SMEs through larger firms sharing their knowledge and also motivating these SMEs to engage more in CSR initiatives.

There are significant and obvious limitations to this study. One major limitation is the small number of SMEs in this study, with the majority (six out of eight) of them in services which have less direct social and ecological impacts than manufacturing with its greater physical resource intensive inputs. Also, only one regional city was investigated. This should not however take away from the results of this exploratory study in an area that has not been investigated. Further, micro studies of SMEs in other regional communities would provide additional evidence of the nature of the problems and barriers that this paper has identified. It is up to the normative CSR researchers to extend their CSR investigation agendas to find ways to address such problems and barriers.

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