



SME too!

WHY SMEs MUST SIGN UP TO CRS

Frank Vidal and **André Sobczak** assess a study by Audencia Nantes that suggests that small companies are ignoring the benefits of corporate responsibility initiatives



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Over the last decade, corporate social responsibility (CSR) has moved from being a fad or fashion to a top priority for business leaders across the world.

An increasing number of large companies now no longer see the integration of social and environmental challenges into their core strategies and management practices as an additional burden but as a strong driver of innovation and new business models.

This good news for the planet and its people also seems to be a guarantee of firms' long-term economic health. Some business schools, in particular those committed to the United Nations' Principles of Responsible Management Education (PRME), have actively supported this development through their research, teaching and executive education.

However, one large part of the business world seems to be missing the point.

Research shows that small and medium-sized enterprises (SMEs) not only lack knowledge of CSR but are also very sceptical about a concept apparently invented by and for multinational companies and the business schools that co-operate closely with them.

Many leaders of SMEs see CSR at best as a marketing tool that far from corresponds to the real practices of multinationals and, at worst, as a new constraint imposed by those multinationals on their suppliers and subcontractors.

However, it would be a pity to exclude these companies from the CSR movement. The majority of people work not in multinationals but in medium, small and very small companies.

If CSR is to have a lasting effect on the planet and its people, those with workforces of hundreds (or even tens) rather than thousands need to be on board. If, at the level of individual SMEs, CSR strengthens a company's economic success, it seems important not to exclude them from this opportunity.

Business schools have a major responsibility to adapt their own activities and discourse towards SMEs in order to change SMEs' perception of CSR and to support them in developing appropriate strategies in the field.

Choosing a CSR approach in line with the size and culture our smaller firms can allow responsible actions to have a real effect on profits.

A study carried out by the CSR Chair at Audencia Nantes, a business school in the west of France, backs this up. The Audencia research team linked up with the Banque de France, a bank, and the country's network of young business leaders to assess if responsibility and profitability do indeed go hand in hand.



10%

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...and more than two-thirds had never even heard the term before

40%

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The study confirmed that a strong and positive link does exist between CSR and the financial health of SME firms.

In late 2014, in another study, Audencia asked bosses of medium, small and very small firms to give their views on CSR issues.

The results speak for themselves; these business leaders are far from convinced of the value of CSR and of the positive impact it can have on their financial results.

This is most true of firms employing fewer than 10 people. Less than 10% of those in charge of these very small companies declared that they knew what CSR was. And more than two-thirds had never even heard the term before.

When the research team questioned the head of firms with workforces of between 50 and 250 "only" 40% said they did not know what CSR was about. Despite being a minority this is still a very significant number of the sample and perhaps comes as a surprise in a world where similar initiatives are now part of daily life.

Alongside these low levels of recognition of CSR comes a less than flattering view of what CSR can bring to a business.

Though business school faculty highlight the fact that CSR can act to boost innovation, motivate employees and increase team spirit, the decision makers in very small firms see real advantages in just two areas: image and reputation.

Less than a third of them believe that CSR helps improve economic performance and competitiveness. They also declare that they seldom put in place any really ambitious CSR measures. Once again, those at the head of firms of between 50 and 250 employees seem to make a stronger link between CSR and company performance.

These survey results are all the more dramatic because firms of less than 10 people make up the largest part of most countries' economic landscape. Though this research was carried out in France, experts involved believe the findings can be applied to the vast majority of economies.

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In France, very small companies of this kind account for more than half of the country's GDP and employ two-thirds of the active work population. That such firms remain immune to what CSR can offer will have an adverse effect on society as a whole and on the companies themselves.

The question then arises as to what business schools can do to change this.

The challenge is to make any size of firm understand that in a tough business context CSR can help steal a lead on the competition by prompting a rethink of how things are done.

However, smaller companies need to be aware of the fact that they cannot simply copy what larger employers are doing in terms of CSR. Such actions would not correspond to the size and resources on hand.

Furthermore, those impacted by CSR measures would not expect such an approach: the degree of a firm's responsibility is more often than not tied to its economic weight and influence.

The Audencia CSR Chair works hard at making smaller firms understand that CSR is for them too. It is no coincidence that the school's first MOOC (massive online open course) was on just this subject and that the CSR Chair is supported by a number of firms, including some local concerns with far less than 100 employees.

These smaller companies are as active within the Chair as the multinationals that also help finance it. They can learn from larger firms and from academic experts and then act as ambassadors to spread the word to other businesses.

Similarly, Audencia runs an annual prize for local companies that have excelled in CSR. The winners of these trophies then throw open their doors for guided tours and explanations of how CSR has changed them.

Simply publishing such a CSR survey shows that schools such as Audencia can increase debate through research. The French media have picked up on the results, making them visible to a larger public. Top managers at very small businesses have seen them and perhaps noted that they are lagging behind. In order to catch up they could do worse than to find inspiration in how small and medium-sized firms have evolved over the last few years.



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While not always formalising their CSR actions, these employers have launched many initiatives that are making a difference. The compact nature of these companies is a clear plus as it allows CSR measures to be adopted without the need for big changes in organisation or co-ordination.

In partnership with the urban area of Nantes, Audencia has launched a weekly TV programme called the “CSR Minute”, which highlights various CSR initiatives launched by local SMEs in order to encourage others to develop similar practices. The school also moderates a website that lists local support for SMEs in the field of CSR.

But business schools also need to marry local initiatives such as these to high-profile global initiatives.

Audencia was the first French business school to sign the UN Global Compact responsibility pledge and helped the UN to draft PRME. Today, the school is one of less than 30 worldwide to be cited as a “champion” school by PRME and so acts as a model for others wishing to follow the same path.

It is a case of practising what you preach. Audencia is a medium-sized organisation that has embraced CSR and is proving that it can lead to greater innovation and a brighter future.

The EFMD has recognised this. Its Business School Impact Survey (BSIS) launched in 2014 to measure the impact of business education providers in the realms of economics, finance, image, innovation and society gave Audencia a firm endorsement, qualifying the school’s work in the area of responsibility as “remarkable”.

Integrating CSR in our core strategy has strengthened our visibility and the links with our stakeholders. It also gives us more legitimacy to develop research and executive education in this field.



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ABOUT THE AUTHORS

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