

## **Learning to Practice Social Responsibility in Small Business: Challenges and Conflicts**

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**Purpose:** This article addresses issues of practicing social responsibility (SR) in small business, where SR implementation challenges are unique. The discussion examines the difficulties encountered by small business owners adopting SR practices, and the various strategies they learned in the process.

**Methodology:** Twenty-three small business owner-managers located in western Canada were interviewed in-depth, individually and in groups. Group interviews were useful for validating and extending the themes and contradictions that arose in individual interviews, particularly in identifying the most common SR challenges and frustrations, and to compare individuals' learning patterns and diverse strategies of response.

**Findings:** Study findings showed that owners learned SR by working through three main areas of challenge within everyday socio-material practices: (1) positioning SR commitments and affiliations; (2) balancing diverse stakeholders with SR ideals and costs; and (3) negotiating value conflicts within SR practice, as part of 'becoming' a particular enterprise of SR engagement.

**Originality/value:** This study suggests that social responsibility may be most fruitfully studied by examining the traces of the networks, linkages and boundaries formulated through everyday interactions, focusing not just on the *social* networks and information exchange among humans, but more deeply on the *sociomaterial* networks within which new practices such as SR emerge. Secondly, the study underscores the importance of conceptualizing social responsibility 'learning' more in terms of practices that emerge through challenge and conflict than in acquisition and application of new knowledge and attitudes.

**Key words:** corporate social responsibility, boundaries, small business learning, ethical dilemmas

## Learning to Practice Social Responsibility in Small Business: Challenges and Conflicts

The question of how corporate social responsibility (CSR) is understood and practiced in small-and medium enterprises (SMEs) has prompted a number of recent studies in countries such as the UK (Jenkins 2004, 2006, Tilley 2002), Spain (Aragón-Correa *et al.* 2008), Italy (Perrini 2006, Perrini *et al.* 2007) and Lebanon (Jamali *et al.* 2009). CSR itself, as noted in these studies and later in this article, is difficult to define amidst its current contestations and various interpretations. However, most use the term to refer to activities undertaken by businesses, beyond what is required in fair business practice, to further social and/or environmental objectives. These studies also show that SMEs adopt particular visions and approaches distinct from those popularized by corporate SR. Indeed small business owners have distanced themselves perhaps understandably from association with the ‘corporate’ in CSR<sup>1</sup>, suggesting that current language and debates for business SR as well as its understandings and prescription may require reconceptualization for small business (Lange and Fenwick 2007; Jamali *et al.* 2008, Jenkins 2004). Finally, analysts of CSR in SMEs agree that, particularly given the importance of SMEs to most national economies, the area requires further empirical research on several dimensions (Jenkins 2006, Lepoutre and Heene 2006, Kusiak and Lozano 2007, Murillo and Lozano 2006, Spence 2007).

This article is based on a study of 23 small businesses in western Canada, which demonstrated some of the unique attitudes and approaches to SR practice found in these other CSR-SME studies located in Europe. One might even speculate cautiously that we may be observing a global pattern emerging in these distinct SME approaches to SR. The further contributions of this study are, first, its focus on very small business in Canada, and second, its

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<sup>1</sup> Given small business owners’ stated aversion to the term CSR, ‘SR’ will be used throughout the article except when referring to large businesses or researchers that are clearly utilizing the CSR discourse as a distinct category of principles, literature and practices. In these cases the reference will be to ‘CSR’ or ‘corporate SR’.

focus on *learning*. The discussion is based on an empirical study that traced the learning processes through which owner-managers came to understand and practice business SR. While the discussion here focuses on the complex *nature* of SR challenges and owner-managers' responses to them rather than a conceptualization of small business learning per se, learning process is clearly an underpinning dynamic. Learning here, in accordance with current conceptions of small business owners' learning summarized by Pittaway and Rose (2006), is understood to be informal – embedded in everyday practice and action rather than in solely cognitive events. It is participational and interactive, generated through ongoing joint activity amidst a system or network(s) and marked by recognizable changes or expansion in the system that are greater than the sum of changes observable in an individual (Author, 2006; Fox, 2001).

Many have made the case for SMEs to be considered separately from larger enterprises in considering their CSR discourses and approaches (e.g. Aragón-Correa 2008, Jenkins 2004, 2006, Jamali *et al.* 2008, Spence 2007), and I would add that the category of SME may be too broad and heterogeneous to be considered without further differentiation. In Canada, the definition of SME is an enterprise of fewer than 500 employees and less than \$50 million CAD in gross revenue. Within this category, “small business” is defined as an enterprise of fewer than 100 employees (for goods-producing firm) or 50 employees (service-producing firm) (Industry Canada 2009). This study focused deliberately on this latter category of small business, including owners of micro-business defined as “fewer than five employees” (Industry Canada 2009). While there were certain resonances between the findings here and findings reported from larger SMEs, there also appeared unique themes here that may suggest that small and very small businesses are distinct in certain challenges of SR practice.

The article begins with a brief contextualization of CSR in Canada, following by a discussion of challenges in business SR implementation identified in existing literature. The third section describes the study and its methods. The fourth section explores the experiences of Canadian small business owner-managers learning to practice SR. These experiences have been organized to show three major sites of challenge and conflict that appear to preoccupy attempts to practice SR: (1) positioning SR commitments and affiliations (which may be characterized as issues involved in boundaries of definition); (2) balancing diverse stakeholders with SR ideals and costs (or, boundaries of demand); and (3) negotiating value conflicts within SR practice, as part of ‘becoming’ a particular enterprise of SR engagement (or, boundaries of ethics). Each of these areas invokes complex forms of participation among different owner-managers, and diverse, sometimes contradictory, responses. The SR practices that occur are not always or even often rationally planned and implemented, but more likely to be emergent and fluid, embracing issues of value and identity with strategy and operation sometimes simultaneously. The argument is that these challenges are at least partially linked to difficulties in navigating boundaries of definition, demand and ethics. These boundaries are complex, multifarious and often blurred, and as they become negotiated, new networks of practice emerge. The final section discusses interrelations among these challenges, and draws implications from this discussion for theory, research and policy related to SR in small business.

### **Business Social Responsibility in Canada**

**CBSR** (Canadian Business for Social Responsibility) is a prominent not-for-profit organization developing CSR in Canada by promoting links and education among businesses interested in social responsibility. **CBSR (2009:1)** defines CSR as “a company’s commitment to

operating in an economically, socially and environmentally sustainable manner. While recognizing the interests of its stakeholders, including investor, customers, employees, business partners, local communities, the environment and society at large.” In literature focusing on larger business, CSR is often understood as an ethical commitment by business to respond to a ‘triple bottom line’ of social and environmental concerns as well as economic goals of sustainability (Elkington 1997). The *social* in corporate SR refers to non-shareholding stakeholders that may include local or even global communities, government, customers, and interest groups ranging from environmental to religious, ethnic, and trade groups (CBSR, 2001). Practices associated with CSR may include transparent accountability, respecting ethical values, improving human quality of life in endeavors affected by the business, preserving natural environments, supporting local community endeavors (Crowther and Rayman-Bacchus 2004), as well as addressing information issues of privacy, intellectual property rights, freedom of speech, and quality and reliability of information (Dhillon 2002). Some have challenged CSR to go even further to foster global responsibility (Berthoin Antal and Sobczak 2004) and social justice.

In Canada, corporate SR has been described as an important social and political issue in the federally-sponsored National Corporate Social Responsibility project (Conference Board of Canada 2004), although business participation in SR is voluntary. The federal government limits its role to ‘promoting’ corporate SR principles and practices, chiefly through information and toolkits (Industry Canada 2008). Little now exists in the way of incentives outside of tax credits for corporate charitable giving which tend to be most appropriate for larger businesses that can afford philanthropy. Few regulations exist for corporate SR practice and none specifically targeting SMEs and small business. Federal policy is limited to such things as minimum standards for environmental protection and health and safety, or reporting requirements for

financial institutions exceeding \$1 billion in equity (Industry Canada 2008). Nonetheless as a broad discourse, corporate SR has clearly impacted the business environment by focusing public attention on socially responsible practices among businesses (Joyner & Payne 2002; McWilliams *et al.* 2006) and producing SR-measurement instruments and international business alliances for CSR (Kell 2003; Verité, 2006). Corporate SR has been voluntarily adopted as a key business principle among over one hundred 'leading' Canadian corporations and financial institutions (CBSR, 2001).

Much less is known about the meanings and uptake of SR in Canadian small business. In its survey of SMEs in SR, CBSR (2003) found that while 88% of owners had strong interest in SR principles, they reported a lack of SR information, resources and approaches relevant to their contexts. Yet CBSR (2003) also was unable to motivate much participation in its attempts to involve SME owner-managers in networking and educational activities. This problem may have been related not only to the unique understandings and needs of SMEs with respect to SR, but also to their unique learning approaches. In this study of Canadian small business owners I examined how they made sense of SR, and how they learned to incorporate social responsibility into various aspects of their enterprise: purpose and vision, overall strategy, and everyday operations. What became immediately clear is that SR practice is fundamentally a question of encountering challenges and learning how to figure them out in the particular contexts of small business.

### **Challenges in Business SR Practice**

A frequently noted challenge is the lack of commonly agreed definition or perspective of CSR. Studies reveal wide-ranging meanings and practices all in the name of corporate SR (Joyner & Payne, 2002; McWilliams *et al.*, 2006; Whitehouse 2006). Varying forms of CSR

involvement occur in different sectoral and regional contexts (Husted and de Jesus Salazar, 2006; McWilliams et al., 2006). Some firms perceive CSR to be simply new language for old business commitments to philanthropy and being good citizens (Joyner & Payne, 2002; Whitehouse, 2006). Internally, employees exhibit different levels of understanding of CSR (Hemingway and MacLagan, 2004). Externally, corporate SR shifts in emphasis and action as it moves through different alliances among business, community groups, trade unions, United Nations agencies, and environmental activists. These diverse conceptions and motives for CSR may be more *strategic*, related to public image and improving performance/profit (McWilliams et al. 2006, Porter and Kramer 2006), or more *altruistic*, related to humanitarian orientations of caring, reciprocity and even global responsibility that may or may not reap material benefits for the firm (e.g. Berthoin Antal and Sobzak 2004, Kell 2003). These orientations of ethical or economic CSR may be viewed as mutually exclusive (e.g. Windsor 2006) or as varied interpretations intersecting with other dimensions such as locus of responsibility (Hemingway and MacLagan 2004). Studies have pointed to even more differentiated ethical positions being enacted in CSR approaches. Tilley (2002) contrasts ‘shallow’ and ‘deep’ ecology ethics evident in her study of business CSR in Leeds. Lange and Fenwick (2007) distinguish ‘strong’ and ‘weak’ CSR among small Canadian businesses where ‘strong’ is related to an integrated vision for broader structural social change and connection with other agencies and actors, and weak is more focused on individual business action and local relationships. In all of these explorations, it is important to recall the point made earlier, that SMEs tend to reject the discourse and frames of ‘corporate’ SR as distant to their own concerns and activities.

A second major challenge is the contested ethical responsibility owed by businesses undertaking SR: who is responsible to whom for what, precisely? Despite growing business

practices of 'sustainability', critics indicate dissatisfaction at the achievements (Davidson and Hatt 2005) or charge that CSR is corporate smoke-and-mirrors that camouflages business resistance to systemic change (Dobbin, 1998). Others argue that a corporation's defining and sole ethical responsibility is to create profits for shareholders, and that a CSR agenda is a vague altruistic project that serves neither shareholder interests nor public good (Husted and de Jesus Salazar, 2006).

A third obvious set of SR challenges relates to the perception that these are too costly, difficult, time-consuming, or removed from core business goals to be worthwhile (CBSR, 2001). Levels of genuine commitment to the ideals range widely within companies (Hemingway and McLagan, 2004; McWilliams et al., 2006), and employee resistance is a particular problem facing some managers interested in corporate SR (L'Etang, 1995). Stakeholders to which the business might be considered responsible bring conflicting interests (Coelho, McClure, & Spry, 2003). Henderson (2002) argues that the lack of clear criteria for responsibility in SR opens business decision-making to special interest group lobbying, and can end efficient enterprise by erasing the bottom line.

In small business, these costly and time-consuming SR practices may be even more challenging. Small firms in Canada have cited barriers such as slim resources and profit margins, loan recall vulnerability, constant work overload in everyday operations, and networked structures of production that potentially make diffusion of new practice such as SR difficult (CBSR 2003). In a large survey of Italian businesses, Perrini et al. (2007) found that business size affects SR choices: larger firms tend to develop specific, formal CSR strategies to focus on particular stakeholder needs. Cash for philanthropy may be less available in some smaller firms (Seifert, Morris and Bartkus 2003). In surveying SME-CSR literature from 83 countries



(including Africa, Latin America and southeast Asia as well as North America and Europe), Kosyk and Lozano (2007) found that the barriers of limited time and limited resources were actually only significant among SMEs' internal stakeholders such as employees. But overall, Lepoutre and Heene (2006) conclude that unique constraints of small business conditions do affect SR practice. However, they indicate that the unique characteristics of these conditions – including personal, contextual and issue characteristics – create a more nuanced effect than simple barriers.

These nuances have been explored in other empirical studies. First despite all the potential difficulties, strong commitment and unique approaches to SR have been documented among SME owners and owner-managers. In their research of CSR in Spanish SMEs, Aragón-Correa *et al.* (2008) found that size and resource scarcity is *not* a major deterrent for these firms' adoption of environmental practices - - not just reactive but also 'proactive' (such as pollution control and exercising leadership in environmental protection). The key to adoption, they argued, is strategic organizational capability: instead of adopting one-off practices, SR success depended upon implementing 'a systematic pattern of simple but multiple, consistent and co-ordinated practices that simultaneously reduce environmental impacts and organizational costs' (Aragón-Correa *et al.* 2008: 99). Jenkins (2006) showed a similar pattern among UK SMEs that demonstrated 'exemplary' CSR practice: successful implementation depended upon integration of SR in all aspects of business practice, not as an external add-on but as core to business operation.

The ethical issues of SR open questions of motivation. Numerous studies have shown a similar distinct pattern among SMEs involved in business SR. SME managers are highly committed at a personal level to principles of public responsibility, concern for social issues, and

a sense of reciprocity or 'giving back' to society (Jamali et al. 2008, Fuller and Tian 2006, Jenkins 2006, Kusiak and Lozano 2007). Perceived benefits among SME owners and managers are far more aligned with altruistic dimensions such as participation, a sense of pride and integrity (Jenkins 2006) than with economic benefits. This may be partly because, as Spence (2007) argues, there is no strong evidence that CSR practice leads to financial success and competitive advantage. But it also may be because, at least according to European studies, SME owner-managers are simply more motivated towards CSR by genuine caring and societal contribution than by profit maximization or public relations (Spence 2007).

Factors contributing to this motivation may include the embeddedness of SMEs within their local communities, and their close personal relationships with key suppliers, community partners and employees which shape SME owner/managers' ethics and behavior (Fuller and Tian 2006, Jamali et al. 2008, Murillo and Lozano 2006, Perrini 2006). Along with this strong evidence for the importance of personal and social relationships to SME business operations, analysts have pointed to SME owner/managers' unique approaches to these relationships which have been characterized as informal, trusting and intuitive (Jamali et al. 2008, Jenkins 2006). Some evidence suggests that SMEs rely on these relationships because their business legitimacy is directly accountable to the local community: a major motivation for SR behavior may be customer loyalty and local business reputation (Fuller and Tian 2006, Kusiak and Lozano 2007). The SME owner/manager may enjoy high autonomy in influencing the vision, values and direction of the firm towards SR practice (Jenkins 2004). However, Kusiak and Lozano's (2007) large review show clearly how these 'champions' and values are always subject to the firm's multiple stakeholders, the power of their relative demands, and their different pressures in particular contexts. Nonetheless, SMEs may enjoy distinct advantages over larger businesses in

implementing SR practices, which Jenkins (2006) lists as more open and fluid communications enabling diffusion of SR values and information, less hierarchy and structure to work through in implementing SR initiatives, and flexibility allowing SMEs to respond quickly to SR-related opportunities.

In terms of learning, Jenkins (2006) concludes that because SMEs on the whole learn mostly through networking with peers, and that this activity represents an opportunity to strengthen SR if sufficiently strong leaders will champion such networks. In fact, Murillo and Lozano (2009) tried creating a learning network to promote CSR in SMEs, leveraged through the academic institution. Given the ambiguity surrounding small business SR practice, as well as its potential ethical and practical difficulties, it seems useful to examine more deeply how small businesses learn to understand and integrate SR values into their everyday practices.

### **Methodology**

To trace these understandings and practices in-depth at a micro-level, this study used an interpretive qualitative methodology. Using relatively small samples, qualitative methods seek not so much to establish patterns that can be generalized to broad populations but rather to probe the details, ambiguities and nuances that individuals' narratives often reveal – the kinds of information that can be lost in larger survey questions or aggregated into categories that may obscure important particularities. Interpretive approaches normally do not try to count numbers and establish trends, but to understand and interpret human experiences and the meanings that people attribute to those experiences. The insights that can be yielded into individuals' understandings and motives are the main strengths of this method. The main limitations are that samples are small and not representative, and that findings are not generalizable. Further, accounts are obviously limited to what individuals perceive and recall, and what the

researcher(s) emphasize in their particular interpretations. The focus on personal meanings of experience sometimes eliminates critical analysis of socio-cultural relations and structures affecting these experiences, unless these are imposed by the researcher. However, for the purposes of this study, which explored learning processes that typically are idiosyncratic, intangible, multi-dimensional and difficult to represent, this interpretive qualitative methodology was judged more apt than other approaches.

Interviews were conducted with 23 small business owner-managers (hereafter ‘owners’) located in western Canada, in the cities of Edmonton Alberta and Vancouver British Columbia. At the time of the study, this region was Canada’s growth corridor, with Alberta and BC enjoying the strongest economies of any province due largely to their oil and gas reserves. Potential participants were identified through indexes maintained by agencies such as Canadian Business for Social Responsibility as well as through snowball methods of obtaining referrals. Our criteria were small businesses that had been operating successfully at least two years (that is, they had demonstrated a certain viability), and that explicitly professed a business commitment to social and/or environmental responsibility (on websites and promotional material, through registration with CBSR, or through actions reported by referral). In this sense, then, the sample was constructed purposively rather than representationally: we sought firms who already were aware of and interested in business SR. Participants all operated very small enterprises ranging in size from 1 to 35 employees, in operation from two to sixteen years. (See Table 1 for demographic details of participants.) Business sectors were retail (4), business and personal services (15), food service (2), and manufacturing (2).

Individuals were interviewed individually and in groups. In the personal interviews we asked owners to outline their business purpose, strategy, client focus, etc, then to explain their

own meanings of SR, its role in their business, and how and why they had become committed to SR in business. They described SR practices that they had tried or would like to try, the challenges of doing so and how they learned to respond to these challenges. Then owners were gathered in Edmonton and Vancouver for group interviews that explored the same issues. Group interviews were useful for validating and extending the themes and contradictions that arose in individual interviews, particularly in identifying the most common challenges and frustrations, and to compare individuals' diverse strategies of response. One important note for group interviews is that they can yield themes and statements which appear to have general agreement among participants (although they also yield issues about which there is clear disagreement within the group): this is why the following findings are sometimes reported with unspecified participant numbers, e.g. "Owners said ...". All interviews were fully transcribed, and interpretive comparative content analysis identified common themes, significant differences and points of tension among the participants.

### **Study Findings: Challenges and Conflicts in Learning SR Practices**

The following discussion explores common themes among owners' stories of their SR practices and challenges. However it is important to note at the outset that owners' SR meanings varied widely. Two viewed SR as straightforward philanthropy, donating cash, time or floor space to support distinct social projects. Four undertook major commitments to energy reduction/renewal and local community integration into core business purposes. One example of the latter was Stellar Trophies<sup>2</sup>, a small award manufacturer in a low-income neighborhood of Vancouver that had reduced water and energy by 75% and recycled almost all waste, planted green strips under nearby freeways, installed a green roof as insulation as well as public park,

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<sup>2</sup> All names of firms and owners are pseudonyms

and committed staff and management time to local non-profit organizations. These can be understood as forming a continuum between ‘strong’ and ‘weak’ SR commitment according to models for commitment to ecological practice and social change (Lange and Fenwick 2007). Business commitment can range according to the extent to which SR is incorporated into the core business purpose and strategy, and extent to which allocation of business activity and surplus is determined by SR considerations.

Business SR for these owners was more altruistic than strategic, as other studies have also found (e.g. Jenkins 2006). Most aligned themselves with a particular focus related to a personal conviction held by the owner and represented in the core business purpose. For example, one general store owner was committed to encouraging use of environmentally-friendly and fair trade products. One clothing designer was committed to hiring and training Aboriginal youth to help create clothing that promoted pride in their cultural heritage. One gardening distributor focused the entire business on hiring and supporting persons excluded from the workplace, including those without homes or with substance addictions. One consulting firm (whose owner was disabled) focused on creating accessible, inclusive spaces in workplaces for persons with disabilities.

Within these commitments the owners all acknowledged challenges in balancing personal SR ideals with limited resources and access to environmental suppliers, reliance on attitudes of local clients, fragile relations with local competitors, and general isolation. All but two claimed that their SR values were so central to their business vision and operation that they persisted despite these challenges. Three actually faced revenue declines and loss of customers due to decisions to implement a particular SR activity, but still attempted to continue their SR commitment.

The first two years we were not making money at all and there were many, many nights where we thought, ‘Should we continue? Is it worth it? Should we just go all conventional?’ and we just put in, we didn’t do it because we had so much heart into what we’re doing. [Cathy, Earth’s Grocery Store, ll. 827-830]

It’s keeping your commitment no matter what. When times get tough we stayed, we stayed the course. We didn’t start buying the dented can and stuff like that. I mean we just stayed with the principle and figured if we make **it** this way or we don’t make it at all. We’re not going to compromised [sic] what we believe in. [Ron, Restaurant Organics, ll 2409-13]

However, it became apparent that as they learned to negotiate ways to ‘stay the course’, they seemed to find themselves embroiled in challenges related to their ambiguous positioning, contradictory demands, and ethical dilemmas. The following sections explore these three areas of challenge and the boundary conflicts which they presented to owners. These challenges are interrelated and mutually affective, as will be discussed in the final section.

### **Positioning SR commitments and affiliations (boundaries of definition)**

A central challenge was related to positional conflicts, as owners struggled to figure out for themselves and for others their business vision and niche. Some appeared to function more like not-for-profit (NPO) organizations than businesses, **such as Eastside Works which provides employment assistance for high-need community residents, and Aputik Garments which was launched to involve Aboriginal youth in meaningful projects skill and development rooted in traditional culture.** But owners disliked being associated with NPOs almost as much as they disliked the ‘corporate’ moniker of CSR. Yet they struggled to identify just what were their alignments. In their various struggles to find language to describe themselves and to set boundaries around their activities and commitments, they gradually came to create a position for their work within a rather ambiguous space.

This challenge first became apparent when owners tried to define themselves. They distanced their firms from other small businesses:

A lot of small companies have very, very good relationships with their customers. [SR] is different than just having a relationship. ... That role as a mentor, teacher, leader. [Roberta, Market Earth, ll. 562-566]

Owners also felt little in common with large CSR-identified business organizations, and resisted the term 'corporate social responsibility' because they disliked implied alignment with corporations. In fact, owners indicated some distrust of corporate statements of CSR:

It sort of makes me suspicious of these big companies like if they're putting all their time and money into producing this report, why aren't they just putting that into actually doing stuff. It's really a P.R. thing. They are very trendy these days. [Leslie, Apex Equipment, ll. 931-940]

In contrast, they tended to view their own commitments as more genuine and woven into the core business purpose and operations, reflecting a single coherent vision that they could integrate throughout the business decision-making given its small size. One consequence of this distancing from 'corporate' business was most participants' stated disinterest in joining networks such as CBSR. Most owners were uninterested in attending workshops offered by such agencies, complaining about inconvenient times and content too general for their needs, and seemed wary about joining an agency-run network of business owners. They preferred to develop their own networks for learning more directly embedded in their everyday action with carefully chosen colleagues, community groups and clients.

There also appeared to be some blurring of enterprise status. Fourteen owners started a business specifically to promote social/environmental responsibility in their community rather than for purely business goals. But all emphasized their business identity, maintaining a clear distance from community NPOs that promoted local issues, social justice, environmental



awareness, and other concerns that the business owners were involved in. Owners indicated that small business allowed them control, freedom, and the capacity to act in ways that NPOs did not.

I think the individual has the most power because every time you get more and more people then it's more and more difficult to focus action and to focus on mission. I mean you have the environmental, or not the environmental, NGOs all kinds. Those are kind of unwieldy but most of them ... they just don't do any action. [Mike, Holistic Consulting, ll. 530-536]

However, customers and community sometimes treated the SR small business as a public service, frequently requesting the firm's volunteer involvement or gratis promotion in a social issue. The owners' difficulty was distinguishing between what involvement should be offered freely as part of one's social commitment and when such demands became unreasonable. To some extent all businesses must determine this boundary. But for the small business where the SR identity of the business is closely tied to the owner, the difficulty seems to be deciding when one should respond as a business and when as a concerned citizen. Owners of SR consulting firms indicated that this became particularly difficult when they were hired by NPOs. The boundary between what should count as paid work and what activity was expected to be unpaid was blurry and had to be negotiated continuously.

Among all participants there was agreement that there was inadequate language to describe their position and structure as a small business dedicated to SR.

There's this list that either you're a hardest capitalist or you're a softest socialist and ... there's no understanding that you can well why can't you just be then as a business and a political perspective socially responsible and sustainable? [Mike, Holistic Consulting, ll. 381-385]

Their positional boundaries as small business owners with strong commitments to social responsibility were ambiguous at best, as they dis-identified both with large business and with social organizations practicing SR, as well as with other small businesses. While these dis-identifications are understandable, the result was an unrecognized space where owners felt they

dwelt outside of existing limited definitions for small business. Five talked explicitly about their sense that they were helping to invent new business identities and models:

Businesses can't be profit-oriented anymore. It doesn't work out. There has to be a social aspect to businesses. That will become the new standard . . . As a responsible person it's up to you to change your behavior. [Bill, Stellar Trophies, ll. 311-315]

### **Balancing diverse stakeholders with SR commitments and costs (boundaries of demand)**

Just as CSR literature refers to multiple stakeholders whose demands require challenging balancing acts from corporations (Coelho et al., 2003, Kusiak and Lozano 2007), these owners found themselves caught in conflicting demands. However for small business, the stakeholders to whom they felt greatest responsibility were local. Their primary challenges emanated from customers' (sometimes contradictory) demands. These took various forms related to conflicts over what constituted appropriate business practice of SR as well as customers' product and price-point preferences. Secondly besides customers, businesses had to learn to balance local community demands with their own survival. Just as for larger businesses, SR activities can be costly and must be carefully budgeted. However very small businesses, such as those represented here, have little margin and are especially vulnerable to such costs. Third and not insignificant was owners' felt responsibility to family and to personal well-being, which for some posed significant balancing struggles with their SR commitments in business.

Customer demand for particular products often conflicted with owners' SR ideals. When a husband-and-wife team opened Restaurant Organic in 1997 in a rural community, the intent was to serve exclusively nutritious, organic, and locally grown food products. But they soon realized that 'French fries', a high-calorie and environmentally costly form of fried potato that they had resolved not to serve, was a standard customer expectation – their resolve was keeping away business to an extent that could force closure over time. In re-assessing their strategy after

six months, the owners decided to soften their self-described ‘evangelical’ stance about food consumption to induce people in the door. They even reluctantly added French fries to the menu, recycling the used cooking oil to assuage their conscience. As business increased, the owners said they tried **to educate** consumer choices: talking to diners about health and environmental benefits of locally grown organic food, posting signs and menu notes, and featuring local producers.

Another conflict occurred between customers’ demand for certain products and their unwillingness to pay the higher price point. In their scanning of a district surrounding the university in Edmonton, Calvin and Cathy found strong demand for ecological household products. They opened Earth’s General Store carrying household cleaning fluids, paper supplies and tools that were biodegradable and supplied by socially responsible sources: manufacturers certified as ‘sweat-free’. While walk-in business was strong, sales were low: people were attracted to the products but objected to their cost. The husband-wife owners were having difficulty paying rent in what was an excellent location on the main floor of a busy shopping block. The decision came down to carrying cheaper products which they believed to be environmentally harmful, or moving. They decided to relocate to an inexpensive second-floor facility: while they lost some foot traffic, the business survived albeit with lower revenue. More important, said the owners, was maintaining the integrity of their identity as promoting social responsibility first, and managing a business second.

Some customers were already SR-savvy and made demands that owners had to learn to balance alongside their bottom line and their other SR commitments. These customers were viewed to be important supporters of SR, so owners found it tricky to handle demands such as one customer who reportedly wanted to audit the garbage of Restaurant Organic. Where these

demands could be accommodated and expanded the owner's SR philosophy they were indulged: such as Market Earth adding an exchange box near the shop's door for all customers to recycle/exchange unwanted office supplies.

In terms of local community demands, donations of cash to philanthropic events were uncommon. Some donated a small percentage of profit to causes reflecting the owner's special interest, such as Mini-Cakes Inc. supporting breast cancer research, motivated by the owner's family history with breast cancer. More commonly, small businesses donated time or space to activity supporting local community groups, such as displaying pamphlets and free materials from community groups, or donating space to community meetings and film screenings on social issues. Again owners said they had learned to choose these carefully according to ideological affiliation balanced with sacrifice of revenue-generating square footage.

Finally, conflicts between the demands of SR business practice and well-being of the owner-manager were mentioned frequently. While small business owners in general can suffer overload and exhaustion, SR commitments seem to add to the burden not only the demands of community groups but also the continuous sense of *personal* responsibility to do much more than run a business, indeed to make a difference in one's community in concrete terms. Owners also said they learned to choose SR priorities: deciding what was feasible, placing boundaries around their involvement, and being satisfied with moderate SR practices:

I will throw paint down the drain if it means having more time with my kids. [Patricia, North River Associates, ll. 188-9]

You just have to let go some dreams ... you can live with limits ... or it can be, the community can be the black hole that, it just swallows all your energy' [Alasie, Aputik Garments, ll. 256-259]

Owners participating in both of our study's discussion groups agreed that learning SR was a process of coming to terms with the limits of what was reasonable SR practice, of 'letting go' of certain SR ideals, and of reconciling the various compromises they were compelled to make in balancing the conflicting demands including those related to ensuring the continued viability of their enterprise.

### **Negotiating value conflicts within SR practice (boundaries of ethics)**

Foremost among the challenges narrated by owners were ethical boundaries, which perhaps might be expected when dealing with a core purpose as infused with moral imperatives as social responsibility. These ethical boundaries were not typically named such by the owners, but often emerged through their stories of learning how to respond to conflicting expectations, to unexpected resistances, and to their own discomfort amidst certain actions. One prominent ethical boundary was broadly related to the question of intervention, of determining when and how, and how far, to take deliberate action as a small business in the name of social change. All described themselves to varying degrees as agents of social change. For a small percentage, these were radical visions of change to which the business was but a means: they viewed themselves as social leaders, standing apart from other firms but deliberately making their business a model of what SR can look like in the market. However, most viewed their space of social change primarily in terms of relations with local customers, encouraging change in practices of consumption, lifestyle and work.

Whether broad-reaching or local in scalar focus of change, most were concerned about the justifiable extent of their intervention in social life. Advocacy or activism of the kind typically undertaken by change agents, even those expressing owners' own visions of social justice and environmental sustainability, was viewed by all but two participants as problematic:

‘judgmental’ and ‘negative’. Some were concerned about being viewed by their customers as ‘left-wing’, unrealistic or ‘evangelistic’ thereby losing credibility as business owner. Instead, they preferred to educate the public through products and modeling practices, focusing on interpersonal relationships in their immediate local sphere.

The nature of this dilemma was not a perceived conflict with their social responsibility as a business per se, in the way that corporate ‘fiduciary duty’ to shareholders and even employees and society is compromised by SR altruism according to critics (Husted and De Jesus Salazar, 2006). For small business owners, the conflict was more related to the ethical limits of promoting a particular (SR) ideology to customers that supported business interests. The economic logic of profit-making for owners was sometimes directly opposed to the ecological logic of sharing, interconnection and developing community.

All incorporated education of customers, staff and/or community into everyday business activity. For example, retailers in organic foods, wilderness adventure, and responsible consumption carried products promoting sustainable lifestyles, then taught customers how to use them. Some retailers posted or distributed free educational materials about social/environmental responsibility. Business consultants described educating by modeling and talking about responsible practices, raising questions about clients’ off-shore suppliers, and encouraging clients’ use of ecological products and firms.

We like to think that we’re reaching out to a market of people who wouldn’t otherwise be shopping responsibly, but are able to, when they’re in the store kind of trap them with a bit of education. [Roberta, Market Earth, ll. 643-646]

The thing is that you hope that you can influence people because you’re practicing something different. . . . because we are built on philosophy. [Wanda, Restaurant Organic, ll. 649-669]

As noted earlier, some businesses provided occasional learning space for public educational events such as meetings for community interaction/networks, workshops and seminars on social justice/environmental issues that were not necessarily related to their business. A few owners led seminars themselves, free to the public.

There's an educational component. We often have displays and stuff in the foyer of different environmental, active and fun type of things. And, not all of our [customers] agree with that point of view, we have a ... percentage of our membership who are hunters and ... [we are] an anti hunting organization. [Leslie, Apex Equipment, TF07-08, ll. 319-323]

Educating staff about the rationale and approach of socially responsible practice was also a common activity in firms with more than two or three employees. **Five owners** deliberately recruited staff who shared their own values. The largest retailer engaged staff in researching suppliers of their products, leading workshops for each other about new (environmentally-friendly) products, and participating with customers in focus groups about socially responsible practices and products of the firm.

The ethical conflict in educational activity was about the perceived need for separation of business marketing from public education as 'genuine' SR practice. For instance, one retailer who focused on teaching customers about responsible consumption, including reasons for paying more for fair trade or locally made products that her store carried, worried about whether this was SR practice or simply effective sales promotion. **Three others** believed that 'SR' educational practice comprised only that which was unrelated to the core business products or services. For example, one larger retailer did not allow use of its 'good news' SR stories to be used in its store promotion:

There's a real strong voice from staff and stuff and no they don't want to see that because that's when it starts to be seen are we doing this for PR or for the right reasons. [Leslie, Apex Equipment, ll. 162-166]

The 'right reason' is ambiguous, although for Leslie and other owners it is viewed in opposition to conventional business goals of maximizing profit and growth. Ultimately, the conflict that these business owners experienced was about whether they were responding to customer demand by educating people to help them achieve new ways of living, or creating demand: that is, selling a desire for particular lifestyles and products to consumers that simply provided the commodity niche from which their business could profit. This was an important distinction for small business owners, who disliked the latter orientation and identified with the former. Yet the distinction between these orientations in their everyday business activity was often ambiguous and conflictual. The example of the organic restaurant described in the previous section illustrates this: while the owners believed that educating customers' understanding of food production was a social commitment, they also acknowledged that this understanding was precisely what they needed to sell products they believed in, and still profit.

### **Discussion and Conclusion**

While the presentation here of these three areas of challenge in small business SR may suggest clearly defined categories, in practice they function as far more blurred, overlapping conflicts that emerge in day to day interactions. Owners worked through these conflicts in the commotion of everyday action with the people, objects, technologies and pressures, where activities of business strategic planning and operations are often intermingled. In relating their stories and struggles of working with SR in small business, owners did not describe them as abstract categories, or as 'lessons learned' as though certain propositions were derived from experience then applied to subsequent practice. If learning is understood as some recognizable change or expansion in a system over time, it emerged through action and was not necessarily internalized as cognitive conceptions.



Regarding the focus for this particular discussion, what does this study show about the complex *nature* of SR challenges and small business and owners' responses to them? To summarize, the challenges at one level may be understood to present conflicts in navigating boundaries, whether boundaries of definition and positioning as a profit-making enterprise performing altruistic non-profit-making activities, boundaries of demands among multiple stakeholders including the enterprise viability, or ethical boundaries related to interventions, particularly educational actions and activism, to bring about social change. These boundary conflicts are interrelated, affecting one another as well as business decision-making and operations. The first set of conflicts around ambiguous boundaries and a lack of precise language and models to define the small business role in SR is linked to the blurring between revenue-generation and not-for-profit activity. For small business that feels its greatest SR responsibility and conflict in its close relationships with customers and clients (Fuller and Tian 2006, Jamali et al. 2008, Murillo and Lozano 2006, Vitell et al. 2000), managing requests for volunteerism and community involvement requested by customers is a particularly challenging negotiation. This blurring is related to the second set of conflicts involving boundaries of demand. As Kusyk and Lozano (2007) have shown, considerable complexity determines the nature and extent of SME responsibility to its different stakeholders relative to its own viability and to particular SR ideals. Small business is arguably particularly vulnerable in terms of its survival tied directly to local customer demand, and the owner is often a lone struggler against the various competing and complex demands. A further complication is the blurring of business and personal relationships between owners and stakeholders, noted by other analysts (Jamali et al. 2009, Jenkins 2006), where responsibility becomes tied to personal commitments, reciprocities, and shared visions of a better world. The third set of conflicts in negotiating ethical dilemmas, including interventions

through education activities, appears partially stimulated by conflicting stakeholder demands.

Nine owners talked explicitly about the need to educate clients about their SR philosophies to minimize what owners believed was customers' suspicion, even confusion, about their motives in promoting certain causes. But all owners also indicated a strong commitment to educating the public about particular social/environmental issues, similar to Jenkins' (2006) findings among UK firms. The owners' felt conflict here between marketing and educating could be viewed as a manifestation of what critics such as Husted and de Jesus Salazar (2006) have argued to be a core contradiction of SR values with business purpose.

And what of owners' response to these SR challenges? This study's findings point to themes of SR that resonate with other SME-CSR study findings. First is that SR in some formulation was central to the business vision for every single owner, as other studies have found (Jamali et al. 2008, Fuller and Tian 2006, Jenkins 2006, Kusyk and Lozano 2007). The particular meanings and focus of SR varied widely, but all owners who participated in this study placed some social and/or environmental objectives at the core of their business purpose – unlike larger businesses where SR vision and strategies may be confined to philanthropy or public relations. This distinction is not surprising given that the owner exercises such control over small business vision. A second theme was the widespread desire among owners to maintain distance from notions of 'corporate' social responsibility, as others have shown (Aragón-Correa 2008, Jenkins 2004, 2006, Jamali et al. 2008, Spence 2007). However in this study, owners also indicated a sense of distance from non-SR small businesses, from the NPO/NGO sector, and from government. While again not surprising given the unique structures and constraints of small business and owners' sense of unique ties to SR, this distancing forced them into an ambiguous space of practice. This space bears resemblance to both non-profit and private sectors, and to

both volunteerism and profiteerism, so stakeholders often entered it with demands that were not reconcilable. Essentially this contradictory space is little understood by stakeholders, not recognized in government policy, and offers few models, little language, and almost no guidance to the owners struggling to navigate its everyday conflicts.

Within this space, owners trying to implement SR struggled with the effects of particular constraints of small business, effects that Lepoutre and Heene (2006) suggest are far more nuanced than clear barriers. These include the reliance on personal relations with local customers and the difficulty in establishing credibility and maintaining financial viability. Overall, most small businesses limited their SR activity to their immediate local communities and their interpersonal relationships, to moderate scope, short-term activities and to individually spearheaded projects. This increased their reliance on local (shifting) customer expectations and prejudices related to SR. Most did not link with other agencies or networks to strategize larger initiatives and none partnered with large business or corporations on SR initiatives – which may have engendered new sources of material and informational support. None expressed interest in lobbying government or partnering with government agencies to bring about policy changes such as tax incentives or grant support for SR innovation – which could relieve certain financial pressure. However, the lack of outreach may be understandable given that very small businesses tend to work in isolation due to multiple simultaneous demands often managed single-handedly by the owner with limited resources.

Owners did develop strategies of managing the conflicts associated with practicing SR. They learned to position themselves in terms of their SR focus and commitment and to communicate this position through various boundaries of image and action. As part of this positioning they learned to manage expectations of certain stakeholders, to draw lines as it were

between what was reasonable and not, and to communicate their rationale. As part of this positioning, owners often came to understand their own priorities in SR values, which was a profoundly important movement for almost all. Unlike some corporate SR versions where the SR agenda may be more strategic (McWilliams et al. 2006), SR for small business owners was closely linked to personal meaning in work and life, and to their central motives for starting a small business. This aligns with others' findings that SME SR motives tend to be altruistic and embedded in personal and social connections to local community (Jamali et al. 2008, Jenkins 2006, Kusiak and Lozano 2007, Perrini 2006). For four owners these priorities were related more to family or personal well-being, for seventeen to community contribution including promoting environmental sustainability and responding to social issues, and for two to engaging in radical social change. The point is that the operating SR business vision, and the SR business positioning, was not developed a priori and imposed – though some tried to do this and inevitably struggled. Instead SR vision emerged through practice as the owners met new opportunities, challenges and resistances.

As part of this positioning and as overall SR strategy, owners learned when to accommodate demand by softening personal SR ideals, and when to refuse certain demands. They also learned to gauge their SR image and practices within the community, when to shift this position and when to educate staff and customers to encourage their acceptance of their position. These determinations were often based more on personal values than business efficiency. However as the study examples show, these values were closely linked to particular contexts: local customers' values, business nature and opportunities, local community problems, and the extent to which education towards changing customer attitudes was possible. Owners also learned to recognize ethical conflicts related to what is 'right' action as a small business

owner, and what was the justifiable extent of their responsibility to their chosen SR ideal.

Defining the good is particularly difficult when these owners function within multiple discourses – environmentalism, social justice, entrepreneurship, and community development - offering competing meanings of the good.

These strategies were developed through a process of learning which was rooted in ongoing negotiations within everyday action and interaction. While a full discussion of learning lies beyond the scope of the present discussion, a few observations are warranted to acknowledge the learning dynamics evident in the owners' responses to SR challenges. In the language of Zhang and Jones (2006), these particular enterprises may be classified as innovative or outward-facing in their learning, rather than static and inward-facing. These owners were particularly sensitive to broader social and environmental concerns of waste reduction, water shortages, homelessness and poverty in their communities, chemical additives in food and so on. Within these concerns were nested the values and preferences of their customers, to which they were also particularly sensitive. As innovators, their learning was often intuitive rather than analytic, emerging through experimentation and improvised action. Their innovations were not necessarily recognized by owners as new insights or learned strategies even later when discussing these emergences with the researchers. In this sense, the learning processes were truly practice-based and embodied. They are better understood as emergent action rather than as mentalist concepts located within the individual heads of the owners. Indeed, there was so much variation in their contexts of business, types of clients, and their ideologies of SR that it was difficult even in the group interviews held for this study to encourage much fruitful exchange of experiences and approaches to small business SR. While much has been written about 'networked' learning among small business owners according to Pittaway and Rose (2006), the

networks in this emergent action of SR are those that become formulated in the myriad connections that link together people – inside and outside the enterprise - with objects, texts and technologies. Changes that appear as learning are produced through the negotiations of both linkages and boundaries that occur at these nodes (Fox, 2001). To view such changes as the result of an owner ‘learning’ a new concept, and then applying it, is to ignore the complex chains of sociomaterial interactions that bring forth or reconfigure SR practices. This formulation echoes the conceptualization of small firms’ learning and relationships as summarized by Pittaway and Rose (2006), which eschews old notions of the heroic entrepreneur and emphasizes social and cultural influences, and the contextual, temporal nature of learning and social embeddedness.

Herein lies a key implication of this study for future research. Social responsibility – or indeed any innovative practices in small business – may be most fruitfully studied by examining the traces of these networks, linkages and boundaries formulated through everyday interactions. Such ethnographic research should focus not just on the *social* networks and information exchange among humans, but more deeply on the *sociomaterial* networks that are continually evolving and within which new practices such as SR emerge. Secondly, a related implication pertains to conceptualizing small business ‘learning’ more in terms of practices that emerge through challenge and conflict than in acquisition and application of new knowledge. That is, small firms may not always appreciate or be able to take advantage of social networking opportunities designed to help them ‘learn’ new knowledge that they can apply: their learning is more rooted in ‘hot action’ of the everyday. Thirdly, this study shows clearly the lonely struggles of small business owners that attempt to practice SR. They encounter complex and overlapping conflicts, with little understanding from their customers and communities, or even from a

government that claims to support SR. While they have not the time and energy to lobby for changes on their own behalf, researchers might advocate for policies that provide tax incentives for small business SR, grants to support SR innovation and small business linkages with community groups, and differential fees and licensing for SR activities. Finally, this study points to the ambiguous spaces and blurred definitional and ethical boundaries associated with small businesses that are incorporating social responsibility. Not quite social enterprises, no longer strictly profit-and-growth oriented businesses, yet distinct in purpose and approach from corporations adopting SR, these small firms could be viewed as carving out new spaces and new forms of business in the margins. These forms warrant research to map out what appear to be differentiated models of small business SR, and to develop language that more adequately makes visible their particular struggles and strategies.

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**Table 1: Demographic Information for Study Participants.** All names are pseudonyms.

<b>Business Pseudonym</b>	<b>Owner/s) Pseudonym</b>	<b>Type of Business</b>	<b>City</b>	<b>Number of Employees</b>	<b>Gender</b>	<b>Years in Business</b>
Apex Equipment	Leslie	Wilderness equipment retail	Edmonton	20+	Female	35
Aputik Garments	Alasie	Clothing design and manufacture	Vancouver	3	Female	2
Conscious Creativity	Leah	Communications and advertising	Vancouver	8	Female	14
Earth's Grocery Store and Café	Calvin and Cathy	Organic restaurant and grocery store	Edmonton	20	Male and female	7
Eastside Works	Mary	Employment development for homeless people	Vancouver	3 to 15	Female	6
Fair Flowers	Laura	Florist	Vancouver	1	Female	20
Get Organized	Jill	Closet organizing consulting	Vancouver	1	Female	2
Holistic Consulting	Mike	Holistic agricultural management consulting	Edmonton	Sole proprietor	Male	15
Humour Works	Chris	Business consulting – humour in the workplace	Vancouver	4	Female	4
Market Earth	Roberta	Household and personal goods-retail	Edmonton	5 to 6	Female	14
Mini-Cakes Inc	Kelly	Bakery	Vancouver	15	Female	5
Name Domains	Pin Yin	Register businesses on the internet	Vancouver	30	Female	7
New You	Ellen	Style consultancy	Vancouver	1	Female	3
North River Associates	Patricia	Obtain development approvals for real estate industry	Vancouver	12	Female	18
Northern Network Graphic Design	Wendy	Graphic design and illustration	Vancouver	Sole proprietor	Female	1
Ray Social Responsibility Consultancy	Raymond	CSR consultant for first generation companies	Vancouver	Sole proprietor	Male	3
Respectful Workplaces	Phyllis	Conflict resolution for businesses	Vancouver	Proprietor and one business partner	Female	17

Restaurant Organic	Ron and Wanda	Organic and 'locally grown' restaurant	Edmonton	7 to 12 depending on season	Male and female	10
Stellar Trophies	Bill	Award manufacturing	Vancouver	11	Male	7
Steward Consulting	Leslie	Marketing and communications consultancy	Edmonton	Sole proprietor	Female	6
Sustainable Consulting	Sally	Social auditing and consulting	Vancouver	Sole proprietor	Female	10
Workabilities	Dumont	Design for accessible workplaces	Vancouver	2	Male	3
Write On	Sandy	Business writing services	Vancouver	1	Female	2