

Institution: Royal Holloway, University of London		
Unit of Assessment: 17 Business and Management Studies		
Title of case study: Enabling Policy Makers and Business Intermediaries to Improve Small Business Social Responsibility		
Period when the underpinning research was undertaken: 2013-2020		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s): Laura J. Spence	Role(s) (e.g. job title): Professor of Business Ethics	Period(s) employed by submitting HEI: 2008 to 2020
Period when the claimed impact occurred: 2014-2020		
Is this case study continued from a case study submitted in 2014? N		
1. Summary of the impact <p>Small and medium sized enterprises constitute >95% of private sector businesses yet policy, including for Corporate Social Responsibility, is designed for large corporations. Professor Laura Spence's research has directly improved support for social responsibility in SMEs. This has been achieved in close collaboration with business and government bodies including the leading UK construction industry supply chain network, the Institute of Business Ethics, the International Labour Organization and the Department of Business, Energy and Industrial Strategy, and Department for International Development. Their capacity to influence millions of SMEs in the UK and globally has been enhanced through Spence's practical tools and formal advocacy for effective small business social responsibility.</p>		
2. Underpinning research <p><u>CONTEXT OF SMALL BUSINESS SOCIAL RESPONSIBILITY (SBSR)</u></p> <p>Small businesses are different in nature from large firms, not just size, but in terms of how they deal with issues of social responsibility. Spence's analysis, published in two papers, draws together research to offer an authoritative critical overview of ethics and social responsibility in small and medium sized enterprises (SMEs). The systematic literature review (R1) provides a foundation to the understanding of SBSR, bringing together for the first time multidisciplinary and multi-level (individual, organisational, contextual) perspectives. This study revealed siloed assumptions and misconceptions about SBSR, establishing firmly the need for a different approach compared to corporates. Important aspects relate to more formal ways of organising, differing priorities for small business social responsibility in developing countries (e.g. disadvantaged groups, community and extended family), and demonstration that size is not a proxy for responsibility – or irresponsibility – in business. Spence's conceptual analysis shows how corporate orientated social responsibility concepts (i.e. Corporate Social Responsibility – CSR) need to be revised in order to make sense for SMEs (R2). Using a novel approach to redraw core CSR theory from an ethic of care perspective, the research shows the importance of relationships, the inclusion of the public and private sphere in business life (e.g. the role of spouses and family members), and the power of the owner-manager such that they have autonomy in decision-making and are not wholly beholden to others such as shareholders.</p> <p><u>SPECIFIC ASPECTS OF SMALL BUSINESS SOCIAL RESPONSIBILITY THAT REQUIRE A DIFFERENT APPROACH FROM CORPORATE SOCIAL RESPONSIBILITY</u></p> <p><u>COST</u> - Cost management is at the heart of small business life and this is shown in research which incorporates cost to explain social responsibility patterns of communication and organisation (R3). The findings demonstrate that large firms are driven by profit generation,</p>		

smaller firms by cost control. This helps us to establish how policy makers and intermediaries can support SBSR: by promoting cost-related issues rather than profit maximisation related ones as had previously been presumed.

COMMUNICATION AND STAKEHOLDERS - CSR communication relates to the formal reporting of social responsibility. In Spence's research on this topic (R4) it was found that when SME suppliers are pushed by large customers to communicate their social responsibility formally, it can undermine their authenticity, values and identity and counter-intuitively have a negative effect on their social responsibility. The lesson here is for large businesses which take social responsibility seriously to work with their SME suppliers, not impose their own requirements inflexibly on them. Research on the classic stakeholder model and the importance of stakeholder proximity for small business social responsibility (R2) further demonstrates this, showing the importance of local embeddedness and strength of worker, family and community relationships for smaller firms and how they are critical stakeholders, beyond the traditional focus on shareholders and customers.

DEVELOPING COUNTRIES – While the majority of work on SBSR has been done in the Global north, research reviewed in R1 exceptionally included developing country contexts. Empirical research on SMEs in the Indian garment industry (R5 and R6) add substance to this. It was found that there are many cross-overs between the Global north and south for SMEs, critical for global value chains. Importantly, policy makers and large businesses should not assume that SMEs are powerless recipients of social responsibility instructions. To disregard this results in failure to implement a programme of improvement. This stream of research has been informing the supply chain perspective and particularly policy makers and global value chains seeking to tackle social responsibility.

3. References to the research

- (R1) Soundararajan, V. Jamali, D. and Spence, L.J., (2018) 'Small Business Social Responsibility: A Critical Multi-Level Review, Synthesis and Research Agenda'. *International Journal of Management Reviews*. 57(7): 1301-1336. DOI: [10.1111/ijmr.12171/abstract](https://doi.org/10.1111/ijmr.12171/abstract). (QI: ABS3*, 42 citations).
- (R2) Spence, L.J. (2016) 'Small Business Social Responsibility: Redrawing Core CSR Theory', *Business & Society*, 55(1), 23–55. DOI: [10.1177/0007650314523256](https://doi.org/10.1177/0007650314523256). (QI: ABS3*, 211 citations)
- (R3) Wickert, C., Scherer, A. and Spence, L.J. (2016) 'Walking and Talking Corporate Social Responsibility: Implications of Firm Size and Organizational Costs'. *Journal of Management Studies*, 53(7), 1169–1196. DOI: [10.1111/joms.12209](https://doi.org/10.1111/joms.12209). (QI: ABS4*, 205 citations)
- (R4) Morsing, M. and Spence, L.J. (2019) 'Corporate social responsibility (CSR) communication and small and medium sized enterprises: The governmentality dilemma of explicit and implicit CSR communication', *Human Relations*, 72(12), 1920-1947. DOI: [10.1177/0018726718804306](https://doi.org/10.1177/0018726718804306). (QI: ABS 4* Nominated best article in *Human Relations* 2019).
- (R5) Crane, A., Soundararajan, V., Bloomfield, M., Spence, L. and LeBaron, G. (2019). *Decent Work and Economic Growth in the South Indian Garment Industry*. BA/DFID Project Report. University of Bath <https://www.bath.ac.uk/publications/decent-work-and-economic-growth-in-the-south-india-garment-industry/attachments/decent-work-and-economic-growth-in-the-south-india-garment-industry.pdf> (QI: Peer-reviewed funding *British Academy/Department for International Development*. Combatting modern slavery through business leadership at the bottom of the supply chain. £200,000. Co-investigator with co-authors. Principal investigator Crane. October 2017-March 2019).
- (R6) Soundararajan, V., Spence, L.J., and Rees, C. (2018) 'Small Business Social Responsibility in Developing Countries - Implications of Institutional Entrepreneurialism.' *Business & Society*, 57(7): 1301-1336. DOI: [10.1177/0007650316644261](https://doi.org/10.1177/0007650316644261) (QI: Winner best article in *Business & Society* 2018).
- Co-author** Vivek Soundararajan (R1, R5, R6), University of Bath - Spence's PhD student at Royal Holloway graduated 2014.
- Co-author** Andrew Crane, University of Bath (R5).
- Co-author** Christopher Rees (R6) - Royal Holloway 2008 – 2020.

Other co-authors not at UK Business Schools.

4. Details of the impact

SMEs want and need bespoke guidance and training on small business social responsibility. There have been a lack of effective tools available to business intermediaries and policy makers to support SBSR improvement. This important segment of private business is highly challenging to engage with (given that there are upwards of 5,900,000 SMEs in the UK in 2020). By targeting those who have access to SMEs and the possibility of influencing practice, Spence has improved the quality of training and support offered by business intermediaries and informed the approach of policy bodies. This has been achieved by long-term interventions with business intermediaries and supply chains, UK Government and an Intergovernmental organisation.

(1) BUSINESS INTERMEDIARIES AND SUPPLY CHAINS

Small businesses are notoriously difficult to reach individually. Working through supply chains and with business intermediaries (those organisations which act as a hub for support of SMEs), helps to translate the research for the SME, adds credibility and magnifies the reach of the impact achievable. The intermediary bodies are the primary beneficiary of the research, enabling the improvement of their effectiveness in supporting small business social responsibility.

The Supply Chain Sustainability School (known as ‘the School’) is the leading UK construction industry network with 37,000+ partners and registered users comprising all the corporate leaders and many of their suppliers. Spence’s role as Chair of the School’s industry/academic Horizon Group (2016-2019) enabled her research to reach construction industry CSR leaders (e.g. **Balfour Beatty, Kier, Tarmac, Travis Perkins, Wilmott Dixon, Aggregate Industries**) and primarily engineering academics through quarterly meetings with in-depth presentations and discussions and a series of small funded projects and reports. Her leadership on small business social responsibility significantly directed the activities of the group (R1 and R2 and supply chain aspect of R4 & R6). Her contributions were so well received that the Chair of the School (E1) reports the member from Kier saying that a presentation on small business social responsibility by her was “*the best presentation of any sort he had ever seen*”. He subsequently agreed to take on the role of Spence’s vice-chair in the Horizon Group and take a proactive role in enabling the industry/academic sustainability orientated collaborations. As a result of Spence’s active leadership and engagement, small businesses benefitted over four years from a series of industry academic projects and tools that improved training provision through co-created, research informed training content. The Chair of the School (E1) notes: “*Professor Spence has influenced and/or directly contributed to a number of resources on the School, all of which are used to upskill members of the School, 80% of whom are SMEs and 60% of those are micro businesses*”. A guide for SMEs on the new **International Standards Organization** 20400 sustainability standard (E2) was co-written with the Chair of the School in 2017, and is “*one of the School’s most downloaded resources*” (E1).

A second example is a free-at-the-point-of-use e-learning module ‘Competitive Advantage through Business Ethics’ on the Supply Chain Sustainability School website, co-designed by Spence and based on her research findings. Both these resources drew directly on research on the differences between SBSR and CSR (R2), cost (R3), and communication of social responsibility (R4) especially for SMEs in supply chains (R5, R6). The Chair of the School (E1) states the belief that the enthusiastic engagement by SMEs with the high quality tools supported by Spence’s research may be linked to the fact that 40% of registered users report “*winning new business*”. He also indicates that the quality of Spence’s contribution as understood from an SME point of view citing one recipient of training as saying: “*Excellent webinar - one of your best and good to have some understanding of and content relevant to SMEs who are so often overlooked despite their overall high environmental impact and need for different approaches*” (Anonymous SME manager quotations cited in E1, referring to **Institute of Environmental Management & Assessment** Webinar on ISO 20400 the Global Sustainable Procurement Standard, delivered by Spence with The Chair of the School).

Spence's research has also been pivotal in the **Institute of Business Ethics**, the leading UK professional society, where she served as Trustee between 2012 and 2017 and International Advisory Council member (2017-present). As a result of Spence's contributions, the Institute have expanded their SME membership and provide increasing numbers of high quality resources for small firms. The Chair of Trustees noted Spence's contribution in *"shaping our discussions around small and medium sized enterprises (SMEs). The bulk of the subscribers to the IBE are larger companies or business associations. Professor Spence's consistent reminders that in order to influence business conduct we also needed also (sic) to address the situation of SMEs led to a more balanced discussion. It also led to the development of an SME Ethics Toolkit (launched December 2020) on which Professor Spence had a direct impact especially since it draws directly on her published research"*. (E3, R3, 4, 6). Through collaboration with the accountancy body the **Association for Chartered Certified Accountants**, Spence's research (R2) around small business social responsibility directly influenced their communications materials, in particular a report on 'Governance for all' directed at SMEs published by the ACCA (E4) and available to its 770,000+ members.

(2) UK GOVERNMENT POLICY SUPPORT: BUSINESS RESPONSIBILITY

As the leading voice on social responsibility in small and medium sized enterprises, Spence has been invited to contribute to UK's government agencies and departments. The Senior Advisor for Business Responsibility in the **UK Department for Business, Energy and Industrial Strategy** also found the supply chain perspective of the research helpful, especially R4, stating: *"It was useful to see your research evidence on how small firm suppliers can feel pressurised to make changes which sometimes challenge their own corporate identities and values. This is a balancing corrective to a notion we sometimes encounter from policymakers here, that it is straightforward to drive wider corporate social responsibility through market relationships, without few downsides or adverse impacts. Your evidence showed the reality is more complicated"* (E5).

Through multiple UK government departments she has influenced the thinking on SMEs and social responsibility. For example the [text removed for publication] of the **Department of International Development** wrote [text removed for publication] (R6, E6). The British Academy/DFID project on modern slavery in India on SME suppliers involved a consultation event organised by the **Modern Slavery Unit** at the **Home Office** in March 2019 directly informing an evidence based business and policy report (R5). In working with the **Department for Business, Energy and Industrial Strategy**, Spence contributed the small business perspective in a round table in November 2016 with Margot James MP, (then) Minister for Small Business and Corporate Responsibility on the Industrial Strategy and has had multiple private interviews (2016-2019) with the Senior Policy Advisor for Responsible Business who says *"I often find myself citing your research findings on small firms' 'local embeddedness". You showed how their owner-managers respond to many local relationships in determining what their business does to behave responsibly and to contribute to their communities, their challenges and needs. This chimes with the emphasis we are developing in the Government's industrial strategy to support local growth and prosperity by encouraging businesses of all sizes in local partnerships, alliances and leaderships to change things in their communities."* (E5, referring to R5, R6).

Spence is a member of the **All Party Parliamentary Group on Corporate Responsibility** and has influenced their programme, the [text removed for publication] (R2, 3, 4, E7). Through her work on SME suppliers and modern slavery in the Indian garment industry (**British Academy /Department for International Development** project), she has also built a dialogue with the UK government representatives in India in 2019 (R5, E6). The [text removed for publication] (E8).

(3) INTERGOVERNMENTAL ORGANISATION

Since 2018 Spence's high level engagement with the **International Labour Organization's** (ILO) newly launched **Global Business Network on Forced Labour** (GBNFL) has closely informed the development of the network. Spence's research changed the approach taken, moving it from one that was very corporate focused to actively prioritising an SME perspective.

The ILO is a UN agency with 187 member states which sets labour standards with government, industry and workers. Referring to one particular event hosted by Disney in the US, the GBNFL Co-ordinator (E9, drawing from R2, 3, 5) states that “*Insights provided by Professor Spence continued to shape the agenda*”. Spence’s intervention “*had a major impact on the workshops discourse by introducing a perspective that few in the room had been exposed to*”. This work led to Spence authoring a briefing for the ILO based on her research that was acknowledged in the Network’s annual report: ‘Putting SMEs first: why small- and medium-sized enterprises are crucial in the responsible business conduct conversation’ (E10). This document explains that for SMEs a compliance and standards approach to social responsibility is less effective than developing relationships, dialogue and partnerships. The Co-ordinator of the ILO GBNFL (E9) continues “*this piece has influenced the ILO and business leaders to think more carefully about how to approach responsible business conduct with SMEs and to be more innovative in developing new approaches... As the ILO GBNFL and its members engage in conferences and webinars, this piece is used to draw talking points and continue to promote small business responsibility*”.

5. Sources to corroborate the impact

E1: Testimonial. Chair, Supply Chain Sustainability School. 20th January 2020.

E2: Business publication. Spence, L.J. and McCarthy, S. (2017) How to be a responsible supplier: Making sense of ISO20400 Sustainable Procurement for Small and Medium Sized Enterprises. Supply Chain Sustainability School, London. One of the most downloaded resources of the Construction Industry Supply Chain Sustainability School (over 2000 resources) – top 10, April-June 2018. Also available on the ISO20400 website <https://www.iso20400.org/how-to-be-a-responsible-supplier/>

E3: Testimonial. Chair of Trustees, Edward Bickham. *Institute of Business Ethics*. 30th November 2018.

E4: Business publication. Association of Chartered Certified Accountants (2014) *Governance for all: the implementation challenge for SMEs*. Report on ESRC Seminar co-organised with ACCA 19th November 2014. <http://www.accaglobal.com/content/dam/acca/global/PDF-technical/small-business/ea-governance-for-all.pdf>

E5: Testimonial. Senior Policy Advisor for Business Responsibility, *Business, Energy and the Industrial Strategy*, UK Government. Working for the Minister for Small Business and Corporate Responsibility, 17th September 2019.

E6: Testimonial. [text removed for publication] Business Engagement Hub, *Department for International Development*, UK Government. 14th January 2019.

E7: Testimonial. [text removed for publication] MP. All Party Parliamentary Group on Corporate Responsibility, UK Parliament. 5th March 2018

E8: Testimonial. [text removed for publication] UK Government, Bangalore, 20th March 2019.

E9: Testimonial. International Labour Organization Global Business Network on Forced Labour. Co-ordinator. 2nd June 2020

E10: Business publication: Spence, L.J. (2020) Putting SMEs first: why small- and medium-sized enterprises are crucial in the responsible business conduct conversation. Global Business Network on Forced Labour, *International Labour Organization*, Geneva. https://flbusiness.network/wp-content/uploads/ILO_GBNFL_SMEs-and-RBC_Final.pdf