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How do Australian Small and Medium Enterprises Communicate their Corporate Social Responsibility Activities Online?

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ABSTRACT  Much of the existing research on Corporate Social Responsibility (CSR) focuses on large firms, with comparatively little on Small and Medium Enterprises (SMEs). The SME research focuses on barriers and drivers to CSR and neglects how SMEs communicate their CSR activities. This paper addresses this gap by reporting on a content analysis of 443 Australian SME websites which identifies how they are using this channel to communicate their CSR activities.

Keywords:  business ethics, corporate social responsibility, sustainability, triple bottom line.

INTRODUCTION

Corporate social responsibility (CSR) has received increased attention by practitioners and academics. The rationale for businesses to engage in CSR is often promoted on economic grounds such as giving businesses a marketing edge (Gadenne, Kennedy & McKeiver 2008; Nielsen & Thomsen 2009) and, in the context of environmental sustainability, saving costs from reducing the use of resources (Bradford & Fraser 2008; Revell & Blackburn 2007). There are a number of gaps in knowledge within this growing body of CSR literature. First, most of the research has focused upon the CSR activities of large organisations (Blomback & Wigren 2009; Jenkins 2006; Spence 2007). Research on small and medium enterprises (SMEs) is important because they are not the same as large firms. For example, small firms often have fewer resources, flat organisational structures, focus on "survival" (Parker Redmond & Simpson 2009) and are less likely to sign up to CSR agreements or follow CSR standards (Spence 2007). This means that CSR research on large firms will not always provide insights into CSR activities of SMEs. Second, much of the existing literature on CSR by SMEs has tended to focus on examining barriers and drivers or on listing CSR activities (Parker et al. 2009) rather than exploring "how" they engage in CSR. Third, SMEs account for the majority of firms in many world economies
(Parker et al. 2009), such 99% of all Australian firms, which are those with less than 200 employees (ABS 2007).

This paper will address this gap in knowledge by reporting how Australian SMEs use their websites to communicate CSR activities. The exploratory, qualitative study involved a content analysis of 443 Australian SME websites. The rationale for this objective is significant for various reasons. First, there is very little research published concerning CSR by Australian SMEs, with the majority reporting on European and North American studies. We found only eight Australian studies out of around 150 journal articles published on CSR in an SME context. Second, while many articles state that CSR can offer a marketing advantage for SMEs (e.g., Altham 2007; Gadenne et al. 2008), very few explore "how" SMEs communicate their CSR activities to stakeholders. Third, recent survey results suggest that about half of small businesses and 80% of medium businesses in Australia have websites (Sensis 2008). Websites are only one way in which SMEs can communicate their CSR activities, but the increasing use of websites by SMEs as a marketing tool (Sensis 2008) suggests that websites will continue to be an important marketing communication channel for SMEs. Fourth, this study will be the first stage of a larger project to observe the whether regulations such as Australian's planned carbon market will result in changes over time to the CSR communication activities of Australian SMEs.

**LITERATURE REVIEW**

The limited academic research has mainly focused on examining the barriers, drivers and benefits of CSR for SMEs and on listing the latter's CSR activities (Jenkins 2006; Parker et al. 2009). The socially responsible activities of SMEs include making donations, supporting local communities, sponsoring events and teams, offering employee-sensitive benefits (Jenkins 2006), and dealing fairly and honestly with stakeholders (Lepoutre & Heene 2006). Ecologically responsible activities include conserving energy and water, reducing waste and pollution, and offering eco-friendly products and services (Parker et al. 2009). Examples of environmental improvement drivers include regulatory compliance, cost reductions and customer demand (Drake, Purvis & Hunt 2004; Revell & Blackburn 2007). These same factors can become barriers for SME when there is an absence of regulation, economic benefits or customer demand (Parker et al. 2009). Drivers which are common to both social
and environmental improvement include a sense of moral duty by SME owner-managers, pressure from employees, and a desire to improve the working conditions for employees and improve the firm's reputation and brand (Jenkins 2006; Lawrence, Collins, Pavlovich & Arunachalam 2006).

There is debate in this literature, however, about the marketing potential of CSR activities. For example, some authors have found that CSR activities can help SMEs to improve their reputation with and support by customers (Altham 2007; Collins, Lawrence, Pavlovich & Ryan 2007; Graafland & Smid 2004; Granek & Hassanali 2006). Other authors, by contrast, have found that SMEs tend to engage in socially responsible activities for their own sake, feel uncomfortable about promoting them, and believe CSR is more about marketing propaganda which is typical of large businesses (eg, Baden, Harwood & Woodward 2009; Jenkins 2006; Spence 2007). It is similar with environmental responsibility; some authors have found that some SMEs believe there is insufficient customer demand for them to gain marketing advantage from ecological activities (Gadenne et al. 2008; Lawrence et al. 2006; Mir 2008; Simpson, Taylor & Barker 2004).

This raises the question of "how" SMEs, which recognise the marketing potential of CSR, communicate their activities to customers. The limited research in this area suggests that SMEs tend not to prepare or communicate CSR using reports (Lawrence et al. 2006; Nielsen & Thomsen 2009); some display awards and accreditations (Altham 2007; Jenkins 2006; Murillo & Lozano 2006) and in other instances promote their activities on their websites (Jenkins 2006; Murillo & Lozano 2006; Nielsen & Thomsen 2009; Zackrisson, Rocha, Christiansen & Jarnehammar 2008). This existing research has therefore mainly reported on "what" channels SMEs use to communicate CSR, but not "how" they use these channels. For example, are SMEs developing social/ecological brands? Do they focus on the ecological characteristics of their products or services in their marketing? Do they state or list the CSR activities they carry out? Are their CSR activities marketed prominently or more subtly?

Accordingly the focus of this study was on how Australian SMEs use the specific marketing channel of websites, if at all, to communicate their CSR activities. Websites was chosen as a medium due to their increased usage by Australian SMEs for marketing purposes (Sensis 2008). For example, Sensis (2008) found that Australian SME owner-managers believed that the key benefits of their website
were that it provided easy access to information to other people (such as customers), generates more business, increased awareness, provides visual information, and was good for promotion/marketing. The majority of the benefits, therefore, are linked to marketing communication. Websites also have the advantage that they can contain large amounts of information, compared to other media such as printed brochures, so that it was more likely that SMEs with websites might at least mention their CSR activities via this channel if they want to communicate them. Also, other researchers have used websites to gather data on CSR communication such as environmental responsibility (eg, Taddei-Bringas, Esquer-Peralta & Platt-Carrillo 2008), but they have focused on large organisations. A further rationale for this study was that, with increasing focus on climate change issues in the Australian media, we believed this to be an opportune time to determine if environmental (as well as social) activities were being communicated online in response to these issues. This study will therefore serve as a "snap-shot" of the current state of online CSR communication by Australian SMEs which can be used for longitudinal comparison purposes once Australia's carbon market is introduced.

**RESEARCH APPROACH**

The Yahoo Small Business Directory (2009) database was used to collect data for this study. We chose this database because it had a comprehensive listing of Australian businesses including website addresses, it was free and public, and large businesses were less likely to add themselves because the database is prominently labelled as "small business". We mitigated the risk that non-Australian or large businesses were included by studying websites with ".au" in their domain, and excluding them if their website indicated they were a (subsidiary of a) large or overseas firm.

We selected a subset of the industry sectors based on two criteria: it had the largest number of organisations (to increase the chances of finding SMEs with websites); and it was explored frequently in the literature on SMEs and CSR. The sectors which satisfied both criteria were manufacturing, construction (Bradford & Fraser 2008; Drake et al. 2004; Revell & Blackburn 2007; Roy & Therin 2008; Williamson, Lynch-Wood & Ramsay 2006) and printing (Masurel 2007; Patton & Worthington 2003; Rothenberg & Becker 2004; Worthington & Patton 2005) – the latter was in the Information Media and Telecommunications sector of the database. These sectors are the focus of much existing
CSR research in an SME context because these firms potentially have adverse environmental impacts. We also included the Electricity, Gas, Water and Waste Services sector because we anticipated that these SMEs were likely to promote services with an ecological dimension. This meant that the sample was biased toward those SMEs which might communicate environmental, in preference to or more so than, social activities. This was a conscious decision, however, because it reflects the current bias in the Australian media on environmental (climate change) issues. Table 1 illustrates that we found 443 accessible Australian SME websites which satisfied our selection criteria.

Table 1: Profile of Australian SME Websites Communicating CSR Activities

<table>
<thead>
<tr>
<th>Sector</th>
<th>Total</th>
<th>Website</th>
<th>.au domain</th>
<th>Active website</th>
<th>CSR</th>
<th>Ecological</th>
<th>Social</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>492</td>
<td>138</td>
<td>120</td>
<td>104</td>
<td>14</td>
<td>12</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>338</td>
<td>203</td>
<td>157</td>
<td>139</td>
<td>27</td>
<td>23</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Information media &amp; telecommunications</td>
<td>333</td>
<td>271</td>
<td>216</td>
<td>188</td>
<td>17</td>
<td>4</td>
<td>15</td>
<td>2</td>
</tr>
<tr>
<td>Electricity, water, gas, waste services</td>
<td>57</td>
<td>18</td>
<td>13</td>
<td>12</td>
<td>8</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1220</strong></td>
<td><strong>630</strong></td>
<td><strong>506</strong></td>
<td><strong>443</strong></td>
<td><strong>66</strong></td>
<td><strong>47</strong></td>
<td><strong>23</strong></td>
<td><strong>4</strong></td>
</tr>
</tbody>
</table>

Next we analysed each website for statements, paragraphs and in some cases entire pages relating to environmental or social activity. In the ecological context this included any statements relating to environment impact including water, waste, energy, emissions and pollution. In the social context this included statements relating to donations, sponsorships, charities, community and sensitivity to employee working conditions. All website information which was identified was copied into a word processing document and used as the basis for an analysis of the themes emerging relating to how CSR was communicated. It was impractical given the number of websites for each website to be analysed by two researchers independently. But we mitigated researcher bias and inconsistency by copying any text which we thought might be relevant, and then each researcher analysed the text for themes independently. We will use our findings from this exploratory research as the basis for developing a more systematic, structured approach to analysing the websites in future research which will address these limitations. In addition, in this future research we will randomly select websites for independent verification checks. Out of 443 websites studied, 66 websites were found to be communicating CSR activities (see Table 1) and the findings are presented in the next section.
DISCUSSION OF RESEARCH FINDINGS

Nature of CSR Activity Communication

We found that the Australian SME websites communicated more environmental than social activities (see Table 1). This is not surprising given the criteria we used for selecting the industry sectors, which were more biased toward sectors identified in the literature as having a greater negative impact on the environment. There is indicative evidence of a sectoral effect when noting that the Information Media & Telecommunications sector tended to communicate socially responsible activities more so than ecological activities. Future research is required which includes all sectors so that we can explore this further. Similarly, it was surprising that the websites tended to communicate either environmental or socially responsible activities, with only four communicating both. A possible explanation for the comparatively few examples of socially related communication is that SMEs tend to engage in socially responsible activities for their own sake and therefore feel uncomfortable about promoting them (Baden et al. 2009; Jenkins 2006; Spence 2007). Future research with SME owner-managers will provide further insights into the views about social activity communication generally and via websites.

Less than 15% of the Australian SME websites communicated any CSR activities (see Table 1). It is important to emphasise, however, that this does not mean that the other SMEs are not undertaking any CSR activities. Instead, it raises the question of what rationale SME owner-managers use, if they are undertaking CSR activities, for deciding whether or not to communicate this via their website. It is perhaps not surprising, by contrast, that most of the SMEs offering electricity, gas, waste or water services (who had a website) did promote their services as being environmentally responsible. For example, most of the electricity service businesses promoted and sold solar energy products and services, and therefore there was an opportunity for them to promote their environmental responsibility. As one electricity service SME stated on its home page: "WHAT WE DO. We are a ONE-STOP SHOP to design, supply and install a wide range of technologies to save water and energy. We also carry out water and energy audits and automatic PC based monitoring systems to your requirements". The SMEs providing water supply, sewerage and drainage services mainly provided water tank solutions for water conservation.
In the following sub-sections we explore in more detail "what" types of CSR activities were communicated and, just as importantly, "how" these activities were communicated via the websites.

**Types of Socially Responsible Activities Communicated**

The Australian SME websites which did communicate socially responsible activities, tended to comprise of donations to charities, sponsorship of local events or teams, and local community support. Following is an example of local community support by an SME printing company: *We like to contribute back to the community that has supported us. One way we have done this is to support the Redcliffe Hospital Foundation. The billboard outside the Hospital on Anzac Avenue was supplied at a reduced rate. The timber backing for this billboard was replaced at no charge. It's our way of saying THANK YOU to those who have supported us.*

Another example was an asbestos removal company which posted a thankyou letter on its home page from a survivor of the Victorian bushfires who the company had helped (although it did not say whether they helped for free!). Sponsorship of the local teams was communicated by some SMEs on their websites as evident from an Internet publishing company: *We have just started sponsoring a sports team, Team Millie, and have developed their team website.* Sponsorship of local events was also communicated by a local newspaper publisher: *This is a FREE service to the community and you are welcome to send in the details of your upcoming event that would be of interest to local residents.* A more common form of social responsibility communication, especially among Internet publishing and broadcasting SMEs, related to donations to charities and research foundations. Following is an example of this form of communication: *Austalent is donating $1 from every new registered user to the Cancer Council of Australia. This is a very worthwhile cause. Every year, Austalent will change which charity it donates money to.*

In some cases the SME websites communicated their policies on employee conditions. For example, a construction services website stated: *Management recognizes and accepts its obligation to provide a safe, healthy and efficient working environment for employees.* However, these statements appear to relate to occupational health and safety (which is a legal requirement) rather than socially responsible policies such as family-friendly and work-life conditions.
In summary, it would appear that these examples of CSR activities being communicated on these SMEs' websites are consistent with the literature (Jenkins 2006; Lepoutre & Heene 2006). The focus on local community support and sponsorship might reflect the sense of community embeddedness felt by the owner-managers of these SMEs and, therefore, their apparent desire to "give back". Future research needs to be conducted to explore the rationale for including or excluding different types of CSR activities on their website, and their rationale for which types of CSR activities they engage in.

**Communicating CSR Brand and/or Commitment**

There are a number of SMEs that made generic statements about their commitment to CSR. We found a number of statements similar to this one: *We have a wealth of knowledge and enthusiasm for environmentally conscience building ... through ecologically sound practices ....* Another company mentioned: *We believe in being an industry leader and informing clients about the impact their decisions may have on the environment.* Some organisations provided an ethics page, a page with a mission statement or another dedicated place for CSR commitment communication such as this one about from a wood product manufacturer: *... Our wood is recovered from urban trees (street, garden & park trees) that have been destined for removal usually for safety reasons, or due to old age or ill health. Where the wood waste would otherwise be destined for urban landfill, it is diverted from the waste stream and converted into a useful resource by our business, thereby reducing waste into our municipal tips. Also, by salvaging useable timber out of our urban forests, it helps to alleviate some of the pressure placed on our native forest resources.*

Other organisations use statements about awards such as: *... was the proud recipient of the Newcastle MBA Judges Award for Energy Efficiency in the 2002 Excellence in Building Award* to build a brand image. An alternative way to communicate commitment to the community was by showing close ties with local/state governments or communicating a hands-on involvement with the community as depicted by the following quote: *We are certified trainers and hold a Certificate IV in training and assessment for small groups. We have experience in travelling to remote communities and training people in the art of mud/earth brick making. The result is a more self-sustainable, skilled workforce, which can lead to employment opportunities, cost savings and strong community involvement.*
The above-mentioned examples demonstrate how CSR can be used by SMEs to create a profile or a brand image. The use of CSR for these purposes is coherent with the literature (Jenkins 2006; Murillo & Lozano 2006; Nielsen & Thomsen 2009; Zackrisson, Rocha, Christiansen & Jarnehammar 2008). Future research should identify the impact these generic CSR statements have on a customer and if a customer is more likely to conduct business with an SME because of its CSR statements.

**Communicating Eco-friendly features of Products/services**

It would be reasonable to expect that much of the communicated eco-friendly products and services of the building and construction sector revolve around energy efficiency but surprisingly this was not the case. The focus of this sector was sustainability where most organisations promoted the environmental benefits of their services. This trend continued within construction services where all organisations hinted at some environmental benefits of their products and services. One organisation, for instance, offered insulation but chose not to describe any of the environmental benefits. For SMEs, which emphasised the eco-friendly features of their products or services, the majority focused on sustainability. A typical example of an eco-friendly service was from a water supply, sewage and drainage service company which highlighted: *installation of rainwater tanks and water pumps*, ..., and similarly from another company offering: *sales and installation of premium quality water tanks for storage of rainwater, Water for livestock* .... In the case of a chemical products company a whole page was dedicated to demonstrate the transition to a more sustainable business. SMEs in food related sectors focused on natural/organic ingredients such as *using no artificial colours or flavours* or emphasise that *you receive pure, natural products with no nasty chemicals* ... or *organic products are grown, processed and handled without the use of synthetic chemicals, artificial fertilisers, food irradiation or genetically modified ingredients*. Another sector that emphasised the eco-benefits of their products was clothing, leather, textiles and footwear. In this sector the focus was on the re-usability and wash ability of products thus reducing waste.

These findings reflect that most organisations do not perceive a benefit in communicating eco-friendly features of their products and services (Gadenne et al. 2008; Lawrence et al. 2006; Mir 2008; Simpson, Taylor & Barker 2004). There are, nonetheless, some grassroots beginnings in areas where
consumers are more eco-conscious such as organic food products or environmentally friendly building and construction. The most surprising aspect is that not a single SME in the telecommunications sector promotes products or services as eco-friendly, potentially focusing on aspects such as telecommuting and teleconferencing which would reduce the need for travel and associated carbon emissions.

**Communicating Eco-friendly Business Processes**

The adoption of eco-friendly business processes provides SMEs with an opportunity to increase efficiencies while at the same time helping the environment. However only a small number of SMEs communicated eco-friendly business processes and in these instances it was related to their core business. For example, a painting and decorating company described: the ... wash system is used to minimise water usage and waste disposal ... converts water based paint into clear water and solid waste, allowing for easier and safer disposal ... the clean water can be disposed to into your garden. It appeared that only very few organisations considered eco-friendly business processes as a potential strength. One SME had taken the opportunity to develop a new eco-friendly process for car painting, describing it as a purpose designed & built full size Booth is now in place with great lighting & dust extraction equipment, which is unique in it self as no air is emitted out side. It is fully self-contained with the air going through a cyclone & then special filters and recycled back, so we are also doing our bit for the environment. The company further stated that this is the first of it's kind that we know of.

The sectors where eco-friendly business processes appear most prominent was printing and publishing. One SME stated: ... inks contain no volatile organic compounds (VOCs) and require no special ventilation. This is beneficial to both the environment and the people using this product ... we offset the greenhouse gas pollution produced by our business including our vehicles. Another notable example from this sector was an SME which fully focused on its impact and therefore pledging for every online business card order, we will plant one Australian native tree to offset carbon emissions ... uses 100% accredited natural energy ... totally environmentally friendly business cards made with totally recycled paper stocks, environmentally safe chemicals, and green power.

These findings raise some potential questions for future research. For example, are most SMEs not aware of ecologically-friendly business processes? Are processes adopted by SMEs not eco-friendly or
do SMEs not wish to communicate the ecological improvements to their processes (and if so why)?
Are customers of certain domains more sensitive to eco-friendly processes than those in other domains? Or is it too complicated for SMEs to map out eco-friendly processes for their customers? This area requires more attention in future research.

Prominence of CSR Communication

There was also considerable variation in the prominence of the CSR communication on the SME websites. For example, some websites included clear and prominent statements, typically about ecological responsibility, on their home pages – this was especially the case for those SMEs which communicated a CSR brand or commitment. For other websites this prominence took the form of a dedicated menu heading relating to CSR which had the same prominence as their product or service menu headings. In these instances the CSR communication was quite obvious as soon as one visits the home page of the website.

For other websites their CSR communication was not as immediately obvious and more difficult to find. For instance, some websites communicated their CSR activities on their "About us" page or, in one case, on a page called "News". In these cases the CSR activities of the SME would not be clear to a website visitor unless they happen to click on and read these pages. In some cases these were the only places on the website where CSR activities were communicated, so there is a potential risk that visitors may miss this information unless they are specifically looking for it. These findings raise questions for future research. For example, was this a conscious decision by the SME owner-manager or perhaps by the website designer (assuming these were not the same people)? And what was the rationale for this decision? Do they believe that customers who think CSR is important will look at these pages? What are the issues which do (or should) be considered when designing a website with respect to communicating CSR activities?

CONCLUSIONS AND FUTURE RESEARCH

This paper fills a gap in knowledge by examining how Australian SMEs are using (and designing) their websites to communicate their CSR activities. While the existing research suggests that many
SMEs might feel uncomfortable about communicating their CSR activities for various reasons (eg, Baden, Harwood & Woodward 2009; Jenkins 2006; Spence 2007), our research provides insights into "how" those who do communicate CSR achieve this via their websites. Our findings show that there is considerable variation in how the websites are used. For example, the study showed that some SMEs use their website to promote a CSR brand, while others communicate this more subtly when describing their products/services and CSR principles on their "About us" page. Some have used the website to communicate the ways in which they have changed their business processes to be more ecologically responsible, while others describe the eco-friendly nature of their products/services. Some provide extensive information, while others opt more for brief one or two sentence statements. Some design their website so that their CSR activities or commitment is communicated very prominently, while for others a visitor must search to find these details.

While these insights are useful and interesting, we must emphasise that this is the first stage of a larger research project which will investigate (among other things) the "why" questions posed during our discussion of the findings. It will therefore be important to complement these observational findings (which our purely our interpretations of the website content) with surveys and interviews of the SME owner-managers of these businesses so that we can gain an understanding of the issues underpinning the choices of whether or not to communicate CSR activities and, for those who do, the decisions regarding website design. This work will result in more in-depth insights into the roles played by different channels of communication in a CSR context, which in addition to websites can include formal reports, face-to-face communication with stakeholders and brochures. We also plan to conduct similar content analyses of the SME websites in other industry sectors to develop a more complete picture of CSR communication approaches, which may well vary between sectors.

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