



DEBORAH TARRANT

Good for business

Smaller businesses are embracing the notion of the triple bottom line, adding environmental and social measures to economic performance.

Once considered the preserve of larger organisations, corporate social responsibility (CSR)—the concept of looking after stakeholders within and beyond the commercial operating environment—has suddenly become bigger business for small to medium enterprises (SMEs).

CSR in all its guises—caring for the wellbeing of employees, nurturing the environment and the wider community—has become a hot topic of debate, research and analysis for Australian SMEs under the broader banner of sustainability. Driven in part by the increasingly consuming issue of climate change, the rising consciousness of sustainable practices and pressure from other businesses, small-to-medium operators are being asked to garner their resources and leverage what they often do far better than their larger, more vocal counterparts.

Evidence of the mindshift to a new era of sustainability is all around. In the SME space specifically, the Victorian Government's Family and Community Development office has been hearing submissions for an inquiry into the involvement of small and medium size business in corporate social responsibility, and the Federal Government delivered \$2 million in funding for the St James Ethics Centre to explore, as part of its aims, the issues facing SMEs with a two-step research program.

MARKETING STRATEGY

Smaller businesses have typically been better at community engagement or 'silent' CSR, according to Rosemary Sainty who's heading the ethics centre's research effort. "What they need to do now is reflect and become more strategic so they can use their CSR initiatives as a marketing edge," she says.

Indeed, SMEs—representing more than 95 percent of all Australian businesses—intuitively practise CSR. It comes to them more readily and it makes smart business sense.

Whether it's a suburban butcher donating goods to a local sporting team or a software company giving staff time out to volunteer with a community group, there's a limitless range of socially responsible possibilities that ultimately boost business by impacting on productivity.

Dr Leeora Black, Managing Director of the Australian

Centre for Corporate Social Responsibility, counts the most obvious benefits as employee attraction and retention, and the opportunity for product and service innovation. CSR efforts offer clear differentiators from competitors, she says. "They build profile and a reputation in the community which drives business."

Not only are everyday customers' decisions often swayed by a socially responsible standpoint but large corporations with more formal CSR policies are also demanding smaller sustainable operators in their supply chains.

In short, organisations engaged in CSR generate greater goodwill, Sainty points out.

COMMITTED OWNERS

Proof comes from some iconic Australian businesses that have long prospered from the power of CSR efforts, including the now 700-strong Bakers Delight chain and global surfing brand, Quiksilver. Both have been driven by the owners' commitment to community stakeholders—a factor that research shows is vital to the success of all smaller business CSR initiatives.

Two employees' keen interest in sustainability back in 2002 urged Michael Fitzsimons, founder and managing director of Instyle Contract Textiles, a 20-year-old Sydney-based textiles company, to take a whole-of-company approach to the sustainability challenge. The first move was to hire a full-time environmental manager whose role was to research and develop a truly sustainable textile range and to implement changes to reduce the company's environmental footprint. This entailed changes to office design and business processes, right down to the recycled plastic used to wrap fabric and composting food waste on site.

"I always believed that in business you should treat people the way you'd like to be treated yourself," insists Fitzsimons who lists

a raft of benefits from tuning into employees' concerns. "Even small changes add up to some good financial cost-savings."

More significantly perhaps, Instyle's focus has raised the bar on existing environmental standards; firstly, by questioning the accepted definition that recycled fabric was environmentally preferable to fabrics produced from rapidly renewable raw materials, such as wool. It also developed its own LIFE (Low Impact For the Environment) sustainable textiles and sources EthEco wool, which is farmed taking into consideration animal welfare (that is, taken from sheep not subjected to the painful mulesing process), human health and the environment. The resulting new product will give the company an appealing point of difference in the highly competitive US market where it has a freshly signed distribution deal.

Not surprisingly, start-ups today often consciously embed CSR from the outset. For example, the carpooling business Flexicar was established by a group of active car-less enthusiasts with the determination of providing work/life balance to employees.

Of course, while socially responsible companies of all sizes are gaining attention through word-of-mouth as well as spruiking their efforts through the media and on websites, all go essentially unregulated on CSR practices.

ETHICAL DECISIONS

Legislation exists for large emitters of greenhouse gases, but beyond this the Australian Securities Exchange Principles for Good Corporate Governance for listed companies simply recommends that companies promote ethical decision-making.

Now in the second stage of its research, St James Ethics Centre is embarking on a project of action-based research with SMEs, drawing in those organisations with interest and experience to assist with the aim of developing practical tools, resources and roadmaps for more responsible business practice. One of the difficulties with CSR in the SME sector has been the terminology itself, Sainty believes. "It is corporate and consequently seen as something that larger players do," she says.

Certainly, Black says larger companies with more complex decision-making processes tend to create formalised and visible CSR policies. Putting parameters around CSR is also complex, she says. It requires understanding that the purpose of business in society is not to make money (it's one of several outcomes, she notes), but to provide a service or product—and CSR should not be confused with philanthropy or sponsorship. The act of writing a cheque does not in the broad sense constitute socially responsible practices, Black argues, and while sponsorship may offer much needed support invariably it's undertaken for commercial gain.

By making their CSR practices more strategic, smaller companies will be able to capitalise on the tangible and

intangible benefits, says Sainty, who believes SMEs may need a form of peer group support, locally or within their sector to fully explore the opportunities and their actions and to keep up the momentum and ideas.

Deborah Tarrant has been a writer and editor in mainstream Australian newspapers and magazines for more than 25 years. More recently her career emphasis has been in writing, editing and managing projects for a range of business-focused corporate and newsstand publications.

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GREEN PRINT

At the insistence of its now-retired founder Ernie Orel, Finsbury Green, a printing company with operations in Adelaide, Melbourne and Sydney and more than 200 employees, has had a raised social conscience since it began in the early 1970s. "When I joined 16 years ago, the company was already observing 'green' practices," says chief operating officer Steve Osborne. The family-owned company which runs on ISO14001 Environment Management Systems certification standards has an environmental and technical manager, publishes sustainability reports and often makes the more costly, environmentally sound decision. Its name was changed several years ago to let the world know where it stood. (Ironically, the popular misconception is that printing is detrimental to the environment, but a close reading of the UK's Stern report puts it ahead of electronic publishing options, Osborne points out.)

Socially responsible practices permeate the business from purchasing decisions—"we look to buy from companies whose perspectives and products align with ours"—to water recycling, which so far has saved enough water to fill 82 average backyard swimming pools. Vegetable dyes are used in printing, while chemicals are being reduced in the process. There's fair trade coffee in the cappuccino machine and worm farms to devour waste. "It's in everyone's face," Osborne explains, and social responsibility means different things in different parts of the business. In sales, it's about ethical behaviour, while the factories have a distinct health and safety focus. Having already saved by conserving energy, management is now exploring installing solar power at head office.

While it's open to interpretation, running an environmental management system involves setting clear goals. Just one is reducing dry waste going to landfill to zero by 2015.

"From board level, we're about encouraging others to adopt a similar stance. We ask customers about their practices, and we've found our policies at work are almost contagious. It flows on to staff changing their ways at home," he says.

Finsbury Green has collected numerous awards for its pioneering efforts, and there's been a definite bonus in raised profile and media coverage, Osborne says.