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**Modelling Engagement of Small and Medium Tourism Enterprises (SMTEs) in  
Corporate Social Responsibility**

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## **Introduction**

In the past 60 years, the number of studies on Corporate Social Responsibility (CSR) has increased and so too has the number of specific topics researched in the field. Initially, studies on CSR focussed on large corporations, as they would use CSR to counteract negative perceptions caused by poor business ethics (Ebrahimi, Zohrei, & Emadi, 2014). More recently, however, the significance of the accumulative impacts of Small and Medium Enterprises (SMEs) has attracted increased recognition (Spence, 2016; Szczanowicz & Saniuk, 2016; Worthington, Ram, & Jones, 2006). It is important that SMEs engage in CSR as they make up a significant proportion of business communities worldwide, so accumulatively they have an opportunity to make large, positive contributions to their social environments (Spence, 2016). Because CSR can bring benefits to communities and businesses alike, businesses at all levels, including SMEs, are encouraged to practise CSR (Dwyer & Sheldon, 2007).

Several authors argue that research on CSR in SMEs should be sector and region-specific because it is believed that the characteristics of SMEs, and the factors that affect CSR engagement will differ depending on sector and location (Campbell & Park, 2017; Lee, Herold & Yu, 2015; Moore & Spence, 2006; Murillo & Lozano, 2006; Roberts, et al., 2006; Spence, 2007; Thompson & Smith, 1991). The tourism industry has been labelled the world's largest industry with the majority of these businesses being SMEs (Miller, 2006, p. 8). However, the tourism industry has been criticised for lagging in regards to CSR engagement as compared with other industries (Frey & George, 2010; Miller, 2006; Wells, Smith, Taheri, Manika & McCowlen, 2016; Zanfardini, Aguirre, & Tamagni, 2016), and there still exists gaps in knowledge of understanding Small and Medium Tourism Enterprises (SMTEs') CSR engagement (Horng, Hsu & Tsai, 2017). The intent of this chapter is to address these gaps by examining a sector specific study of CSR in SMTEs. Using a mixed methods approach,

incorporating an online survey, focus groups and interviews, the study examined the characteristics, practices, and factors that affect the CSR engagement of SMTEs. Specifically, the study explores the influence that management structure – whether owner-managed or not – has on the CSR engagement of SMTEs. Further, the study contributes the ‘Fluid Model of SMTE Engagement in CSR’, which explains three types of CSR engagement by SMTEs: reactive, proactive, and active, along with the factors that can affect CSR engagement. In doing so, this research contributes to advancing knowledge of CSR engagement specific to SMEs in the tourism industry.

## **Background**

To provide a clear understanding of the focus underpinning this study, it is useful to define the two key concepts associated with it: Corporate Social Responsibility (CSR) and Small and Medium Enterprises (SMEs). CSR has been the focus of academic and practitioner interest over many decades, and consequently there are a plethora of definitions of the concept. As Votaw and Sethi explain, CSR “means something, but not always the same thing to everybody” (1973, cited in Marrewijk, 2003, p. 96). Broadly, CSR refers to “organisational actions and policies that take into account stakeholders’ expectations and the triple bottom line of economic, social, and environmental performance” (Aguinis, 2011 cited in Wells, et al., 2016, p. 2) in which “companies ought to justify their existence in terms of service to the community rather than mere profit” (Crook, 2005 cited in Bohdanowicz & Zientara, 2008, p. 273).

For the purposes of this study, a detailed definition of CSR is adopted from Bohdanowicz and Zientara (2008), who state that:

“Corporate Social Responsibility is, in fact, about the attitude firms adopt towards such ‘stakeholders’ as workers, consumers, the broader society or even future

generations. Hence there are many dimensions to Corporate Social Responsibility. On the one hand, stress is laid on dealing fairly with employees, suppliers and customers, and, on the other, efforts are made to support local communities, to help charities and to promote environmental sustainability” (2008, p. 273).

More recently, it is argued that “businesses have a much greater obligation to account for their actions to a much broader audience than is presently acknowledged” (Dwyer and Lund-Durlacher, 2018 p. 133). This can be achieved by taking account of the five principles of CSR 2.0 – creativity, scalability, responsiveness, glocality and circularity – which can drive societal, organisational and individual changes (Visser, 2014).

The second key concept to this research is a SME. SMEs “are an important part of the economic and social landscape, comprising more than 95% of private businesses” globally (Spence, 2016, p. 24). There is no single agreed definition of a SME, however they are considered to be independent firms that employ fewer than a given number of employees, the number of which varies across countries (OECD, 2016, p. 21). A common upper limit is 250 employees (in the European Union) however some countries set this limit at 500 employees as in the United States (OECD, 2016). In Australia, small firms are considered to be those with fewer than 20 employees, while medium firms are those with more than 20 but less than 200 employees (ABS, 2002). SMEs are often owner-managed (Moore & Spence, 2006; Murillo & Lozano, 2006), however the Australian Bureau of Statistics (ABS) definition does not require that a business be owner-managed to be considered an SME (ABS, 2002). As this research was undertaken in the Australian context, this is the definition that has been adopted, meaning both

owner-managed and non owner-managed SMEs with fewer than 200 employees have been investigated in this research.

SMEs are not just different to large businesses because of their size. SMEs are “not little big firms” (Dandridge 1979, cited in Lepoutre & Heene, 2006, p. 257), as they have a number of characteristics that distinguish them from large companies. These characteristics include that SMEs: are mostly owner-managed; tend to be entrepreneurial; are believed to be embedded in the local community; face external pressures from government bodies and supply chain members; have an informal nature; experience a lack of time, money, skills, knowledge and power; and prioritise general business operations. In examining the literature on CSR in SMEs, a number of factors have been identified as serving to either facilitate or inhibit the adoption of CSR.

The fact that most SMEs are owner-managed is the most prominent of the facilitators. This is because the owner-manager is often the sole decision maker, and so their own personal values become integral to the business (Fuller & Tian, 2006; Murillo & Lozano, 2006). As Thompson and Smith (1991) assert, “small business social actions are only limited by the imagination of the small business owner-managers” (p. 39). A further characteristic of SMEs, which is considered to facilitate their CSR engagement, is that they are thought to be more embedded in a community. This is thought to afford SMEs better relationships with community members, and opportunities to act as leaders and benefactors (Moore & Spence, 2006; Spence, 1999).

The benefits of CSR may act as drivers of CSR engagement in SMEs, or they may simply be positive outcomes that result from engaging in CSR. However, this distinction is often unclear in the literature. Such benefits include the positive effects on employees, such as increased

employee health and happiness (Worthington, et al., 2006), a better working climate (Murillo & Lozano, 2006) and business benefits, such as increased productivity due to more committed, motivated employees, decreased staff turnover rates, increased attractiveness of the business to potential recruits, enhanced reputation, and improved word of mouth and public relations which can then lead to increased sales and revenue (Business in the Community, 2002; Jenkins, 2006; Murillo & Lozano, 2006; Palimeris, 2006; Tencati, Perrini, & Pogutz, 2004; Wells, et al., 2016; Worthington, et al., 2006; Revell, Stokes, & Chen 2010; Garay & Font, 2012).

The literature also identifies common barriers that SMEs face in implementing CSR, the first of which is that the language of CSR does not cater for SMEs. The term “corporate” in particular tends to exclude smaller businesses (Roberts, et al., 2006). In addition, SMEs tend to be informal, and the “large-firm language” of CSR, such as “vision statements”, “mission statements”, “policies” and “strategies” (Spence, 2007, p. 545), is not commonly used in SMEs. A second factor thought to inhibit SME engagement in CSR is a lack of resources, including a lack of time, financial resources, skills and knowledge, and power (see for example: Business in the Community, 2002; Horobin & Long, 1996; Lepoutre & Heene, 2006; Perrini, 2006; Roberts, et al., 2006; Tencati, et al., 2004; Wilson, 1980; Worthington, et al., 2006; Kasim, 2007; Tzschentke et al., 2008; Garay & Font, 2012). It is believed that due to the lack of discretionary resources SMEs prioritise “economic and commercial objectives” (Worthington, et al., 2006, p. 206), and because CSR is not essential for the business to run, it is often neglected.

As previously mentioned, researchers have argued that research on CSR in SMEs should be sector and region-specific because it is believed that the characteristics of SMEs and the factors that affect CSR engagement will differ depending on sector and location (Campbell & Park,

2017; Lee, et al., 2015; Moore & Spence, 2006; Murillo & Lozano, 2006; Roberts, et al., 2006; Spence, 2007; Thompson & Smith, 1991). The tourism industry was chosen as the context for this study for two main reasons: 1) the tourism industry has been labelled the world's largest industry with the majority of these businesses being SMEs (Miller, 2006), and 2) the tourism industry has been criticised for lagging in regards to CSR engagement as compared with other industries (Frey & George, 2010; Miller, 2006; Zanfardini, Aguirre, & Tamagni, 2016).

Of the research on CSR in the tourism industry, there has been a narrow focus on two main areas: consumer preferences for socially and environmentally responsible tourism products; and factors that affect CSR adoption (Bohdanowicz & Zientara, 2008; Goodwin & Francis, 2003; Kasim, 2004; Miller, 2001; Rodriguez & Cruz, 2007). Also, much of the research on CSR in the tourism industry has been focused on accommodation providers (Garay & Font, 2012; Holcomb, Upchurch & Okumus, 2007; Kasim, 2007) or the airlines sector (Colesa, Fenclova & Dinana, 2011; Cowper-Smith & de Grosbois, 2011; Tsai & Hsu, 2008) and more recently museums (Edwards, 2017) and heritage (Wells, et al., 2016).

This chapter seeks to contribute to the literature on CSR in the tourism industry, by reporting on a sector specific study of CSR in SMTEs in the Blue Mountains, Australia. The study examines the characteristics, practices, and factors that affect CSR engagement, and specifically, the influence that an SMTE's management structure – whether owner-managed or not – may have on its CSR engagement. In doing so, it seeks to address existing gaps in the literature and contribute to the growing body of knowledge on CSR engagement in SMTEs.



## **Methodology**

The context for this study was The Greater Blue Mountains Area (GBMA) in NSW Australia. Known predominantly as a touristic region, the GBMA is comprised mostly of SMTEs. At the time of the study, there were over 2,500 tourism-related businesses operating in the GBMA, 99.9% of which were SMEs (Tourism Research Australia, 2010). Several authors have argued that research on CSR in SMEs should be sector and region-specific because it is believed that the characteristics of SMEs, and the factors that affect CSR engagement may differ depending on sector and location (Moore & Spence, 2006; Murillo & Lozano, 2006; Roberts, et al., 2006; Spence, 2007).

The population in this research was therefore SMTE owners and/or managers in the GBMA. In order to access this population, the researcher constructed a database of SMTEs in the GBMA, identifying some 517 SMTE's operating in the GBMA. A mixed method approach was used to understand SMTEs' CSR engagement, combining an online survey with focus groups and interviews.

Drawing on research by Worthington et al (2006), an online survey was developed which examined SMTEs attitudes to CSR, their current CSR practices, how businesses organise and manage their CSR, and which profiled the basic characteristics of the respondent businesses (number of employees, industry sector, whether owner-managed and/or family-owned). The questionnaire was piloted by sending it to six SMTEs drawn from the GBMA. These individuals were asked to consider the questionnaire's length, layout, ease of completion, and clarity of wording in questions. Feedback obtained from the pilot was then used to make amendments prior to its distribution. The online survey program Qualtrics was used for this

purpose, and the questionnaire was sent to the database of 517 SMTEs in the GBMA. After two follow up emails, a total of 100 usable responses was received.

Focus groups and semi-structured interviews were then used to follow up on the survey findings. Thirty-three survey respondents had indicated that they would like to be involved in a focus group or interview, and thus were contacted to arrange participation. Two focus groups and three semi-structured interviews were conducted. This approach, conducting the quantitative survey first to be followed by the qualitative interviews and focus groups, allowed for further exploration of the relationships between business characteristics and CSR practices that were identified in the surveys.

Questionnaire data were analysed using SPSS predictive analytics software and the focus groups and interviews were transcribed and analysed thematically using NVivo qualitative software program.

## **Findings and discussion**

This section presents the study findings, drawing on both the quantitative survey data and follow up focus groups and interviews. Following an overview of the sample who participated in the online survey, findings are presented on SMTEs current attitudes towards CSR; the range of CSR activities they are involved in; their motivations for doing so; and the benefits sought. Factors affecting CSR engagement in owner-managed and non owner-managed SMTEs are also discussed.

### *Sample Characteristics*

Table 1 presents the profile of businesses that responded to the online survey. The largest group of respondents were accommodation providers (40%), followed by retail outlets (17%), and

then by businesses which were a mix of various sectors (13%) such as a retail shop with a café attached, or a bed and breakfast with activities such as horse riding.

**Table 1: Sample Profile (n=100)**

<b>VARIABLE</b>	<b>%</b>	<b>VARIABLE</b>	<b>%</b>
<b>INDUSTRY SECTOR</b>		<b>OWNER-MANAGED</b>	
Accommodation	40%	Yes	85%
Retail	17%	No	15%
Mix of various sectors	13%	<b>FAMILY-OWNED</b>	
Attractions	15%	Yes	67%
Food and Beverage	5%	No	32%
Other	10%	Unsure	1%
<b>TOTAL NUMBER OF EMPLOYEES</b>		<b>MAIN DECISION-MAKER</b>	
None	12%	Owner-manager	77%
1-4	53%	Manager	9%
5-19	31%	Group of managers	7%
20-199	4%	Manager(s) and staff	4%
<b>RESPONDENTS' POSITION</b>		Owner(s) and manager(s)	2%
Owner-manager	67%	Manager(s) and external party	1%
General Manager	7%		
Department manager	19%		
Staff	7%		

Eighty-five percent of businesses were owner-managed, and 67% were family-owned. The main decision maker in a business was most frequently the owner-manager (77%). The majority of businesses (53%) had 1-4 employees and 12% of businesses have no employees, being operated solely by an owner-manager.

### *Current attitudes towards and engagement with CSR*

This section presents findings on SMTEs current attitudes towards CSR; the range of CSR activities they are involved in; their motivations for doing so; and the benefits sought.

Overall, respondents demonstrated agreement or disagreement with a number of attitude statements on five-point Likert Scales, which help to explain the businesses' attitudes towards CSR (Table 2). Respondents agreed that businesses should integrate CSR into their core organisational operations (4.2), that doing so can lead to business success (4.0), and employee motivation and commitment is improved in businesses that engage in CSR (3.9). Respondents disagreed that suppliers prefer to sell to businesses that practise Social Responsibility (2.6).

**Table 2. SMTEs' attitudes towards CSR**

<b>Statement</b>	<b>Mean Level Of Agreement<sup>a b</sup></b>
Businesses should integrate Social Responsibility into their core organisational operations	4.2
Engaging in Social Responsibility can lead to business success	4.0
Employee motivation and commitment is improved in businesses that engage in Social Responsibility	3.9
Communities value businesses that practise Social Responsibility	3.9
Employees prefer to work for businesses that practise Social Responsibility	3.8
Customers prefer to buy from businesses that practise Social Responsibility	3.5
Suppliers prefer to sell to businesses that practise Social Responsibility	2.6

<sup>a</sup> Higher scores represent higher levels of agreement for each variable.

<sup>b</sup> Scale ranges from one to five for each variable, where 1 = Strongly Disagree and 5 = Strongly Agree.

As is evident in table 3, respondents are engaging in a varied range of CSR practices. These were grouped into three main types: community-related (56%); employee-related (34%); and other practices (26%).

**Table 3: Current CSR Practices of SMTEs**

<b>CSR Practices (N=93)</b>	<b>% of Respondents</b>
<b>Community-related practices</b>	<b>56%</b>
Support charity/community events	34%
Support local schools/TAFE etc.	15%
Buy locally	14%
Engage with disadvantaged groups	11%
Provide free space/services	11%
Employ locally	7%
Support other businesses	7%
<b>Employee-related practices</b>	<b>34%</b>
Above standard working conditions	23%
Support staff	9%
Encourage skills and development training	8%
Pay above award wages	7%
Praise/reward staff	4%
<b>Other</b>	<b>26%</b>
Supplier-related practices	10%
General responsible/ethical operations	7%
Active involvement in industry organisations	5%
Support the arts	3%

*Note.* Multiple responses allowed. Total percentage may exceed 100.

Community-related CSR practices were the most common type, practised by 56% of respondents of which the common type of practice is to support charity/community events (34%). This is also the most common CSR practice overall and includes acts such as making donations, volunteering time and organising fundraisers. Of the employee-related CSR practices (34%), providing above standard working conditions (23%) is the most common type. This includes responses such as providing flexible hours and a positive work atmosphere. This

is also the second most common CSR practice overall. Other types of CSR practices were reported by 26% of respondents. This category included ‘supplier-related practices’, and ‘general responsible/ethical operations’ such as treating employees and customers fairly and with respect, and ensuring the community is not inconvenienced by the business’s operations.

When asked about their motivations for engaging in CSR, three broad motivational categories were identified: personal (71% of respondents), business (27% of respondents) and other (3% of respondents) (Table 4). General values/beliefs/ethics (31%) was the most commonly cited personal motivation for engaging in CSR, followed by a desire to contribute to the community (11%). The most common business motivation to engage in CSR was to improve the business’s reputation (9%), followed by a desire to improve the work environment (7%).

**Table 4: Motivations for practising CSR**

<b>Motivations for CSR (N=75)</b>	<b>%</b>
<b>Personal</b>	<b>71%</b>
General values/beliefs/ethics	31%
To contribute to the community	11%
To benefit people	8%
Save environment	7%
Sense of obligation to do it	5%
Feels good	5%
Religion	4%
<b>Business</b>	<b>27%</b>
Improve reputation	9%
Good work environment	7%
Increase sales	4%
Legal	4%
Save money	3%
<b>Other</b>	<b>3%</b>

Finally, we identified six categories of benefits that participants gained from engaging in CSR (Table 5). Reputational and operational business benefits were identified by 35% of

respondents, followed by employee-related benefits (24%), personal benefits (22%), financial business benefits (21%) and community-related benefits (14%). A further 22% of respondents identified other benefits of CSR, suggesting that the benefits of engaging in CSR are highly varied. The responses in this category included education, networking, supplier loyalty and being seen as a role model.

**Table 5: Benefits of engaging in CSR**

<b>Benefits of CSR (N=92)</b>	<b>% of Respondents</b>
<b>Reputational and operational business benefits</b>	<b>35%</b>
Improved reputation amongst customers	13%
Improved reputation in the community	12%
More satisfied customers	9%
Better work environment	5%
Improved product quality	3%
<b>Employee-related benefits</b>	<b>24%</b>
Staff wellbeing	12%
Staff retention	9%
Hard working staff	9%
<b>Personal benefits</b>	<b>22%</b>
Feels good	13%
Promotes a cause	4%
Saves the environment	4%
<b>Financial business benefits</b>	<b>21%</b>
Increased sales	13%
Increased repeat business	5%
Saves money	4%
<b>Community-related benefits</b>	<b>14%</b>
Part of the community	7%
Everyone benefits	7%
Supports local economy	3%
<b>Other benefits</b>	<b>22%</b>

*Note.* Multiple responses allowed. Total percentage may exceed 100.

*Factors affecting CSR engagement in owner-managed and non owner-managed SMTEs*

The following section discusses the various factors affecting the CSR engagement of SMTEs, and explores this based on the ownership structure of the business. This section draws on qualitative data from the focus groups and interviews, where the characteristics of owner-managed and non owner-managed SMTEs were able to be teased out, and incorporated with the findings from the online survey. Table 6 below provides a summary of the differences found between owner-managed and non owner-managed SMTEs in relation to their engagement in CSR, including their motivations, benefits sought, justification for use of resources and overall formality and organisation of the CSR approach.

**Table 6: Factors affecting CSR in owner-managed and non owner-managed SMTEs.**

<b>OWNER-MANAGED</b>	<b>FACTOR</b>	<b>NON OWNER-MANAGED</b>
Business and personal life are intertwined	<i>Business-personal relationship</i>	Personal life separate from work
Personal values	<i>Motivation for CSR engagement</i>	Business reasons
Personal benefits	<i>Benefits of CSR engagement</i>	Business benefits
Lack of resources is not a problem because it is how they do business.	<i>Justification for use of resources</i>	Lack of resources is a problem because they have to justify spending money on CSR.
Informal nature; Little use of formal guidelines	<i>Nature of organisation and approach to CSR</i>	More structured nature; More use of formal guidelines

One of the most prominent characteristics of owner-managed SMTEs is that they see their business as an extension of themselves. As one respondent commented:

*“I’m a one-man band and my work is my life, and so in that sense my business is a part of my lifestyle and my way of doing things”.*

This finding substantiates previous studies which found that owner-managers are highly integrated into the business, which requires understanding the owner-manager’s personal



values and beliefs, rather than looking at the SME as a whole (Jenkins, 2006; Moore & Spence, 2006; Spence, 2007; Tencati, et al., 2004). This coupled relationship between owner-managers and their businesses underpins the motivations for businesses to engage in CSR.

While respondents identified three broad motivational categories for engaging in CSR (personal, business and other, see Table 4), these were found to differ for owner-managed and non owner-managed SMTEs. A higher number of owner-managed businesses reported engaging in CSR for personal reasons: because it feels good; they feel a sense of obligation to do it; and because of their religious beliefs. Owner-managers spoke of their “*own philosophical approach*” to CSR, which often stems from their upbringing, and they made personal comments such as “*I really just love the idea of love and kindness*” in relation to their motivation for engaging in CSR. On the other hand, more non owner-managed businesses reported being motivated by business benefits, engaging in CSR with a hope to improve the business’s reputation, increase sales and improve the work environment. Non owner-managed SMTEs viewed their CSR as a part of their general business practices – just another aspect of ‘doing business’.

The range of benefits identified for engaging in CSR (Table 5) differed for owner-managed and non owner-managed SMTEs. Owner-managed businesses, whilst recognising that business benefits exist, were not motivated by them to engage in CSR. Rather, they reported realising business benefits from their CSR engagement. As one respondent explained, through donating food products to community groups and schools her business saw “*a fairly immediate jump in business of about 20 percent*” as people who were given the free product liked it and then bought it. While this was considered “*a positive and unexpected outcome...we would've never done it to make sales. It's not about that*”. This finding aligns with Jenkins’ statement that:

“despite the fact that deriving business benefits was not a deciding factor for any of these companies to undertake CSR, their motivation was internal and stemmed from moral values, they were pragmatic and recognised that CSR needed to be mutually beneficial if it was to succeed in a business context” (2006, p. 253).

Very few non owner-managed businesses identified personal benefits from engaging in CSR. Instead they cited business benefits, such as improved reputation amongst customers, improved reputation amongst the community, hard-working staff, and increased sales. Non owner-managed businesses openly admitted that they are socially responsible for the sake of improving their image and increasing the business’s income: *“There's a reason to be socially responsible which is to attract more people [to be financially viable]”*.

The benefits gained from CSR thus relate strongly to the motivations for engaging in CSR. Owner-managed SMTEs engage for personal reasons and gain personal and business benefits from doing so, whereas non owner-managed SMTEs engage in CSR to achieve business benefits, and these are, of course, the benefits they gain from CSR engagement.

Respondents were asked about the extent to which a lack of resources impacts upon their CSR engagement (Table 7). Time was considered to be the resource that most affects CSR engagement (3.1), followed by money (3.0), and skills/knowledge (2.5). For owner-managed SMTEs, the mean ratings are moderate at best which indicate that these businesses do not consider a lack of resources to have much effect on their CSR engagement.

**Table 7: Lack of Resources Affecting CSR Engagement by Management Structure**

Resource (N=98)	Total Sample Mean <sup>a b</sup>	Owner-managed Mean <sup>a b</sup>	Non owner-managed Mean <sup>a b</sup>
Time	<b>3.1</b>	3.0	3.6
Money	<b>3.0</b>	2.9	3.6
Skills/knowledge	<b>2.5</b>	2.4	3.0

<sup>a</sup> Higher scores represent higher levels of agreement for each variable.

<sup>b</sup> Scale ranges from one to five for each variable, where 1 = Not at all Affected and 5 = Highly Affected.

Conversely, non owner-managed businesses reported a lack of resources as having a larger effect on their CSR engagement than owner-managers. The finding contradicts existing literature, which suggests that owner-managed SMEs are extremely affected by a lack of time and money because the owner-manager often has to prioritise general day to day business operations (see for example: Business in the Community, 2002; Lepoutre & Heene, 2006; Roberts, et al., 2006; Spence, 1999; Thompson & Smith, 1991; Wilson, 1980; Worthington, et al., 2006). In this study, the findings support the idea that owner-managed SMTEs do not find time and money spent to engage in CSR a deterrent because being socially responsible is important to them. This relates back to the owner-manager’s personal values and beliefs as a factor affecting SMTEs engagement in CSR. Being socially responsible “doesn't cost time and money because that's the way you do things”. Vives, Corral and Isusi explain that “companies that integrate small business social responsibility (SBSR) in their overall strategy may not experience SBSR as an ‘add-on’ and therefore they do not perceive SBSR as an extra cost” (2005, cited in Lepoutre & Heene, 2006, p. 264). This is the same for owner-managers who are socially responsible by nature because, in effect, CSR is integrated into their overall business strategy.

Non owner-managed businesses however, see the use of resources for CSR differently to

owner-managed SMTEs. As one respondent explained, using resources for CSR is dependent on “proving to the Board that there is a positive cost-benefit of any action”. This justification for the use of resources was considered to be the biggest factor affecting the business’s ability to engage in CSR. Milton’s ‘Principal-agent’ argument (1970, cited in Spence, 2007) can be used to explain the difference between owner-managed and non owner-managed SMTEs’ use of resources for CSR purposes. Spence (2007) explains that because the owner-manager is both “the principal and the agent” they have the right to “spend company money as they see fit including bringing their own integrity to bear (e.g., for charitable donations)” because it is their own money. This is “unlike managing directors of large firms, (who) are...automatically answerable to shareholders to maximize profit” (p. 537). It is clear that the personal values of the SMTE owner-manager help overcome any perceived resource constraints, and it is a point of difference between owner-managed and non owner-managed businesses. Non owner-managed businesses do not appear to use their personal values for any decision-making related to the CSR practices of the business, rather they have to provide justification for spending the business’s money on CSR.

Finally, the study found that owner-managed businesses are less likely than non owner-managed businesses to have mission statements (47% vs. 71%), vision/values documents (53% vs. 64%), or annual reports (37% vs. 86%). Owner-managed businesses were less likely to use these formal means of communication to report on or plan for CSR than non owner-managed businesses. This aligns with the literature, which suggests that the “codification of social responsibility, signalled by strategy, policies, vision statements, mission statements etc.” is not common in owner-managed SMEs (Spence, 2007, p. 545).

It was found that similar numbers of owner-managed and non owner-managed SMTEs use guidelines to manage their CSR. Differences emerged, however, in the ways that CSR guidelines were developed by owner-managed and non owner-managed SMTEs. It was found that the CSR guidelines used in owner-managed SMTEs were not formal guidelines as such, but rather were guidelines based on “Bible principles”, “informal business values based on our personal standards” and “our own beliefs in fair trading”. This is in contrast to non owner-managed SMTEs who adopt formal guidelines in line with a more structured approach to CSR. As one respondent noted, “every time we make a decision I go back and make sure that it adheres to the guidelines...if it fits within the framework it should be a good policy”.

### **SMTEs Engagement in CSR**

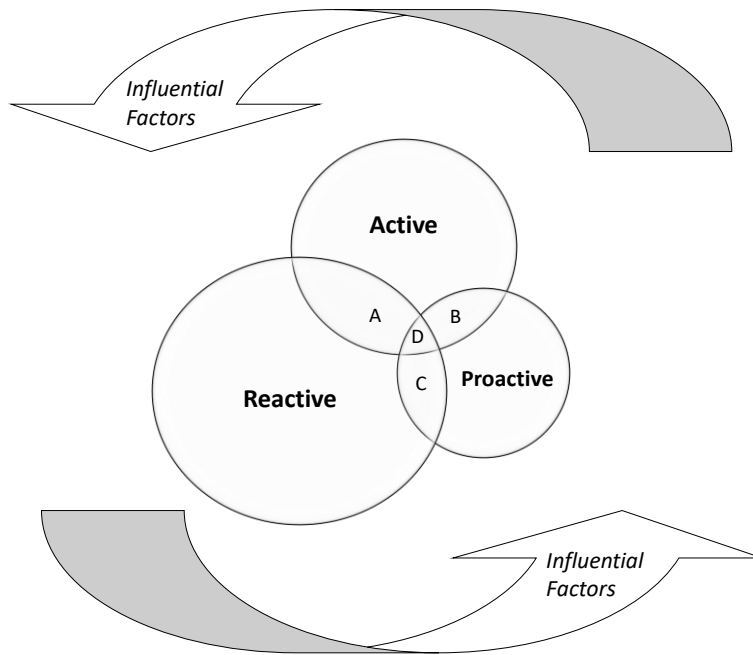
The study found that SMTEs engage in CSR in different ways. For example, some respondents explained that they respond to requests to donate money or support staff, some SMTEs actively seek out opportunities to be socially responsible, and others demonstrate a more organised and ongoing approach to CSR. Through ongoing examination and interpretation of the data and its emerging themes, the researchers grouped this engagement into three broad categories: reactive, proactive and active.

Reactive CSR is characterised by responsive, ad hoc practices, which can be undertaken occasionally or frequently. Examples include responding to requests for donations or support from stakeholders, or allowing an employee to leave work early to pick up a sick child from school. Reactive CSR was the most common form of CSR engagement by SMTEs in this study. Such reactive practices seem to align well with the informal nature of owner-managed firms, who would not necessarily plan their CSR engagement in advance.

Proactive CSR is characterised by significant effort and initiative in which the owner or manager deliberately seeks out opportunities to engage in social responsibility. Examples include purposefully cooking more food than the business is likely to sell so leftover food can be donated to charities and community groups, organising a staff awards night, and forming a bushfire watch group to help educate the local community on what to do in the event of a bushfire. The owner or manager may not constantly seek out opportunities for CSR, but may do this only occasionally or on a one-off basis. Proactive forms of CSR engagement require the most initiative from an organisation, and this was found to be the least common form of CSR engagement of SMTEs in this study.

Finally, Active CSR is characterised by regular and ongoing practices, for example making monthly donations to charities or organising annual fundraisers. Active forms of CSR often start out as either reactive or proactive practices. That is, an organisation might have initially been requested to participate (reactive), or they may have sought out an opportunity themselves (proactive), and over time, the practices have become constant.

The Fluid Model of SMTE Engagement (Figure 1 below) has been developed as an aid to understanding the CSR engagement of SMTEs. The three domains presented in the model reflect the reactive, proactive, and active forms of CSR engagement. In order of size, the domains indicate that reactive CSR was most prevalent amongst SMTEs in this study, followed by active, and then proactive forms of CSR.



**Figure 1. A fluid model of SMTE engagement in CSR**

Domain A represents SMTEs that engage in reactive and active CSR, domain B represents SMTEs that engage in active and proactive CSR and domain C represents businesses that engage in proactive and reactive CSR. Some businesses may practise all three types, thereby falling into the centre of the model, domain D. SMTEs can also move around the model as their CSR engagement changes. This will depend on their circumstances at any given time, which are illustrated by the arrows at the top and bottom of the model - the ‘Influential Factors’ that affect CSR engagement. Influential factors affect an SMTE’s motivations and ability to engage in different types of CSR, and they are constantly changing. For example, an SMTE that reactively responds to donation requests may also organise an annual fundraiser as an active form of CSR. However, a sudden lack of resources may affect the businesses ability to organise the fundraiser. Subsequently, the SMTE may only continue with reactive forms of CSR. In this

instance, the SMTE would move from domain A in the model (reflecting a mix of both reactive and active CSR practices) into the 'reactive' domain.

We would argue that domains A and B are representative of at least three principles of CSR 2.0. SMTEs operating in these domains aren't simply adopting 'tick-box' approaches to CSR; they are responsive and 'proactive' to stakeholders and society's needs, generating their own ideas for meeting CSR challenges. Underpinned by strong moral values, firms in domains A and B embrace 'think global, act local' practices. Predominantly owner-managed firms bring their own integrity to CSR practices utilising their resources for social and environmental benefits. Similarly to Visser (2014) we found that non owner-managed firms with a for profit focus are on the whole oriented to being "less bad rather than good" (p. 2), selectively undertaking sustainability programs rather than adopting a closed-loop production in which resources are re-used by the system (Visser, 2014).

## **Conclusion**

This study answers a question posed by Spence (2016, p.42) "does ownership have a role to play" in CSR engagement? for which we found that in respect of SMTEs, ownership plays a significant role. Whether an SMTE is owner-managed or not affects both the motivations for engaging in CSR, and the benefits sought. It also helps explain the different perspectives on the use of resources for CSR and the overall formality and organisation of the CSR approach. Additionally, the 'Fluid Model of SMTE Engagement in CSR' is a significant contribution to understanding the CSR engagement of SMTEs. The model represents and defines three types of CSR engagement by SMTEs: reactive; proactive; and active, and the factors that potentially affect CSR engagement. It demonstrates that SMTE CSR engagement is fluid with businesses being both opportunistic and formalised in their approach. As such, researchers are encouraged



to rethink CSR for SMTEs, recognising that ad hoc approaches can “support long-term strategy and short-term profitability” (Lamberti & Lettieri, 2009, p.167). This study also demonstrates that within the CSR landscape, SMTEs exemplify elements of the CSR 2.0 approach. Perhaps large multinationals have something to learn from SMTEs vis-à-vis attuning personal values and beliefs such that they make meaningful contributions to improving the quality of life for all people.

Whilst the study addresses gaps in the literature it also raises questions that require further research. Future studies should explore further SMTEs that do not engage in CSR to identify the barriers to their engagement. The ‘Model of SMTE Engagement in CSR’ should be tested for its usefulness in different size firms, industries and geographic regions as well as for further refinement. SMEs in other sectors and locations may prove to move around the model more or less than those in the tourism industry, as the factors that affect their CSR engagement may be more or less static, and the size of each domain may differ. By locating businesses in the model, types and levels of engagement can be reflected upon, and the practices of businesses evaluated, an important next step in appraising SMTEs contribution to CSR.

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