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### With Great Power: Assessing the Social and Environmental Responsibilities of Small and Medium Businesses

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Danielle Tetrault

With Great Power: Assessing the Social and Environmental Responsibilities of Small and  
Medium Businesses

May 2019

Merrimack College

MERRIMACK COLLEGE

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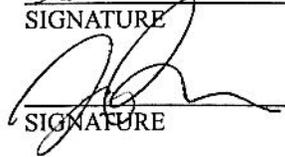
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### Abstract

The purpose of this study is to assess the potential that small businesses hold to improve the social and environmental conditions of the communities in which they reside. The existing literature focuses on the socially responsible activities of corporations. Large corporations are generally expected to participate in “socially responsible” activities, such as contributing funds, volunteers, and other resources to philanthropic causes. Often, the main motivation behind such activities is to improve the public image of the corporation, which has ultimately been shown to increase sales, thus increasing the economic power of corporations. This study surveyed representatives of smaller businesses in the New England area to determine the extent to which small and medium size businesses are socially responsible, and to compare their motivations and actions to those of larger businesses.

## Table of Contents

Abstract.....	3
Introduction.....	6
Literature Review.....	7
History and Evolution of the Concept.....	7
Theoretical Framework and CSR Today.....	8
Problems with the Current Model of CSR.....	11
The Role of Smaller Businesses.....	13
Methods.....	16
Survey Components.....	17
Limitations.....	17
Results.....	18
Demographics and Basic Information.....	18
Social Responsibility Questions.....	19
Opinion questions.....	19
Types of SR Activities.....	20
Motivation for SR Activities.....	21
Demographic Comparisons.....	23
Qualitative Results (Comment Section).....	25
Opinions.....	26
Discussion.....	29
Types of SR and Missions.....	30
Strategic Partnerships and Motivations.....	31
Opinions.....	33
Demographic Comparisons.....	35
Summary of Key Findings.....	36
Conclusions.....	38
References.....	39
Appendices.....	42
Appendix A: Initial Email Inquiry.....	42
Appendix B: Original Survey.....	42
Appendix C: New Survey Section.....	49

## Introduction

At the crossroads of the nonprofit and for-profit spheres is the concept of corporate social responsibility (CSR). First used in the 1970s when multinational corporations started to emerge, this term describes a relationship between corporations and society in which “corporations receive a social sanction from society that requires that they, in return, contribute to the growth and development of that society” (Devinney 2009). In 2016, Fortune 500 companies spent more than fifteen billion dollars on CSR activities (Davidson 2016). Given the magnitude of this number, corporate giving can be seen as an important resource when it comes to tackling global issues like poverty, education, and climate change. However, it can be argued that the very existence of large corporations is detrimental to society, and that the world would be better off if numerous small businesses held a larger share of economic resources, and large corporations held less (Barkhatov). These and other problematic aspects of CSR in large corporations necessitate an analysis of the socially responsible behaviors of small businesses.

While there is abundant literature on the CSR activities of large corporations, the types of CSR they participate in, and the motivations behind them, there is little research available about the social responsible activities of small businesses. The purpose of this research is to determine whether small businesses engage in socially responsible behaviors in a manner that is different from the way larger businesses engage in socially responsible behaviors, and if so, whether this difference is due to small businesses having a stake in the success of the community they exist in. I expect that small businesses will be likely to participate in socially responsible activities that are less expensive, but more engaged in the community, than those

done by corporations, because small businesses have a stake in the success of the community as well as their own profits, while corporations are primarily focused on profit.

When necessary, this paper uses the term “socially responsible activities” “social responsibility” or “SR” rather than “CSR” in order to include all businesses, not just corporations. Aside from the difference in size, these two terms have essentially the same meaning. Socially responsible behaviors include but are not limited to: donating to charitable causes, providing volunteers to charitable causes, allowing the use of a physical space for a charitable cause, reducing waste, choosing to use sustainable resources, and taking political actions to improve the well-being of the community. “Small and medium businesses” are those that have fewer than five hundred employees.

### **Review of Literature**

In this section, I give a brief history of how today’s concept of CSR came about, and define the two conflicting theories that dominate the discussion of CSR. I then outline what I see as the problems with the current model of CSR. Finally, I provide evidence that small businesses are beneficial to societies, and that they can benefit from CSR in the same ways as larger businesses.

### **History and Evolution of the Concept**

Throughout Western history, business and social endeavours were often closely woven together. In the Middle Ages, the British Crown issued corporate charters for “religious, charitable, and other social purposes,” (Chaffee 2017) rather than strictly for generating profits, at least officially. The Industrial Revolution of the late 18th and 19th centuries in both Britain and America saw countless workers exploited for the sake of profit, and as a result,

labor unions were established to hold businesses accountable for the way they treated their workers. Toward the beginning of this period of rapid economic growth, requests for grants of corporate status in the U.S. were increasing substantially. To address this need, state legislatures began passing general incorporate statutes, which for the first time created a distinction between for-profit and nonprofit entities (Chaffee 2017).

In the 1920s and 30s, business managers started being seen as “trustees” to companies’ relationships with the public, “which in turn translated into social and economic responsibilities being adopted by corporations” (Agudelo 2019). The discussion of corporations having responsibilities to society broadened following the period of economic prosperity after World War II, but it was not until the 1950s that the literature began addressing what exactly those responsibilities were (Agudelo 2019). In 1953, Bowen published *Social Responsibilities of the Businessman*, a book founded on the assumption that “the several hundred largest business firms are vital centers of power and decision, and actions of these firms touch the lives of the American people at many points,” and because of this, these firms should conduct business in a way that promotes the well-being and values of society (Bowen xvii).

### **Theoretical Framework and CSR Today**

Bowen is considered by some to be the father of corporate social responsibility, because he introduced a theory that continues to be one of two that continue to dominate the discussion of CSR. These two theories are shareholder theory and stakeholder theory. Shareholder theory represents a more traditional, free market view, where businesses exist solely to create profit for owners and investors. Economist Milton Friedman summarized this point of view: “Few trends could so thoroughly undermine the very foundations of our free

society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible” (Friedman 1971). The belief that the primary, and perhaps only, responsibility of corporations is to their shareholders was supported in the 1919 Supreme Court case *Dodge v. Ford Motor Co.* The court ruled that Henry Ford was not fulfilling his responsibility to his shareholders because he was giving too much of his resources away (Bowen 1953). Stakeholder theory, on the other hand, broadens the range of parties involved to include employees, families, customers, communities, and the natural environment. This theory is supported by the fact that decisions made by businesses and their representatives have profound impacts on numerous aspects of society, including “the morale of our labor force, the satisfactions obtained from work, the character of our consumption, our personal security, the rate of utilization of our natural resources, and even our international relations” (Bowen 1953). Stakeholder theory recognizes that all businesses, large and small, have a far reaching effect.

Writing in 2009, Devinney articulated a framework where shareholder and stakeholder theory exist on opposite ends of a social responsibility spectrum. On one end of the spectrum, a company can be viewed as living up to societal expectations by doing two things: creating a product that consumers want, and by providing jobs. When CSR is defined this way, there is really no motivation for the corporation to improve society because they fulfill these two roles by charging high prices and paying low wages, and thus profiting exponentially. At the other end of the spectrum, socially responsible corporations are viewed as those that prioritize the needs of the disadvantaged (Devinney 2009).

Devinney stated that the degree to which a corporation is socially responsible is dependent on the definition of CSR one is using, and the definition used is typically at the

discretion of the corporation itself. The activities that count as CSR also vary based on which company or individual is giving the definition. Some common ways of engaging in CSR are charitable donations, requiring employees to volunteer, and using sustainable resources for products. A 2019 *Houston Chronicle* article aimed at business owners divided CSR into four categories: philanthropic efforts, environmental conservation, company diversity and labor practices, and supporting volunteer efforts (Leonard).

In the business world, CSR is considered necessary to ensure profits. In her article “Four Types of Corporate Social Responsibility,” Leonard says, “being socially responsible is part of business survival in today's economy. Companies should take a stance on important social issues to build a brand that consumers trust and respect” (Leonard 2019). Internet searches on whether business are doing “enough” CSR result in articles on how businesses can replace CSR with BSR (brand social responsibility), in which social responsibility is more clearly related to the essence of a brand. In this framework, businesses view social responsibility as an investment, rather than risk management (Seven Dots). The idea that is being conveyed to business owners looking for resources is that CSR is necessary for businesses to be successful.

The idea that participating in CSR can have economic benefits to businesses is not new. A 1973 article that examined the pros and cons of CSR asserted that improvements in social conditions could improve profits, if somewhat indirectly. “Truly low-cost production in the long run depends on the accomplishment of these social goods; therefore, the firm which does not contribute to them will be inviting lower profits sometime in the future” (Davis 1973).

### **Problems with the Current Model of CSR**

The emphasis on the self-serving benefits of CSR in the business world provoke the question of whether corporations can truly be socially responsible. This is exactly what Devinny (2009) addresses in “The Good, the Bad, and the Ugly of Corporate Social Responsibility” when he argues that they cannot be socially responsible. This is because “society” is a vague term. “Corporations do not operate in a singular clear society with unambiguous and uncontested norms,” (Devinney 2009) and therefore individuals who supposedly belong to the same society can and do have different and conflicting needs, wants, and opinions. Different actions by corporations affect some members of society positively and others negatively. Those who benefit from the profits of corporations are members of society as much as anyone else. Another reason Devinney gives for the impossibility of true CSR is that the sole reason for the existence of corporations is profit, and therefore putting anything before profit goes against their nature.

While it is clear that large corporations see CSR as a priority, there are several potential problems with relying on them for philanthropy. Critics of corporations may see CSR as a futile attempt at offsetting the negative societal impacts of corporations. Corporations are seen by some as detrimental to society because they “not only create barriers to entry to small firms in the economic domain, they also pose a serious threat to democracy by dominating public discourse and occupying a wide range of public spaces” (Cerri 2018). Having empowered citizens is central to democracy, but as a group, corporations have much more influence in political outcomes than actual citizens. A study on the influence of different groups on 1,779 American policy issues found that “economic elites and organized groups representing business interests have substantial independent impacts on U.S. government

policy, while average citizens and mass-based interest groups have little or no independent influence” (Gilens 2014). The political power of businesses can be traced at least as far back as the 1890s, when corporations “were granted the status of “natural persons,” with the legal protections of citizens, but they also gained the right to buy other corporations, thereby solidifying their market power and making them largely autonomous from public control” (Cerri 2018).

Another problem to consider is the fact that even if corporations accept a degree of social responsibility, their primary reason for existing is to generate profits, and as such they are likely to be ill-equipped to address social issues (Davis 1973). According to Henderson (1968), it would be foolish to expect a business to have the kind of skills and moral conscience necessary to solve social problems, when such skills are hard enough to find in human beings. Expecting businesses to handle societal problems would be handing them responsibility without accountability, and would allow the possibility of social improvement endeavors to be arbitrary and inconsistent.

One possible way to address this problem is the use of long term strategic partnerships between corporations and non-profit organizations. Every year since 2010, C and E Advisory has conducted a survey of their clients engaged in such partnerships. The surveys consistently indicate that both corporations and large non-profits see long term strategic partnerships as more impactful than other types of CSR, like donations and short-term partnerships (C and E 2017). Partnerships between corporations and nonprofits close the gap between an understanding of the causes and extent of societal problems, which are likely to be possessed by non-profit organizations, and the resources needed to address these problems, which are possessed by corporations. An emphasis on CSR being a strategic, rather than sporadic and

unregulated, has also been seen in a trend since the 2000s of corporations including CSR in management plans (Agudelo 2019). Both corporations and non-profits are acknowledging that CSR needs to be strategic in order to be successful for all parties.

The imprecision of the current CSR model is described by Michael Porter and Mark Kramer, and cited by Fisher (2009). They propose a shared value approach, because, “CSR as it is presently practised creates generic responses to stakeholder pressures rather than establishing strategically appropriate programming based on a firm’s strengths and priorities” (Fisher 2009). This shows how imprecise the practice of CSR is; it is difficult to measure the stakeholder pressures, and the results of CSR activities. This approach, “fails to make CSR a win-win, but rather creates a zero-sum game where neither the corporation nor society benefits.” Porter and Kramer’s solution to this problem is to approach CSR based on the corporations’ priorities, strengths, and abilities, and thereby “develop socially and fiscally responsible solutions to current CSR issues that will provide operational and competitive advantages” (Fisher 2009).

### **The Role of Smaller Businesses**

According to the Bureau of Labor Statistics, since the end of the Great Recession, small businesses have created 62 percent of all net new private-sector jobs. Among those jobs, 66 percent were created by existing businesses, while 34 percent were generated through new establishments (adjusted for establishment closings and job losses) (McCracken 2018). Some believe that the success of small businesses indicate the success of society as a whole. One study, published in 2016, concluded that the development of small businesses was correlated with “the development of good institutions, a sane community and trust and optimism in economy (Barkhatov 2016). According to Barkhatov, the decentralization of economic power

is preferable because it creates competition, which keeps prices low and monopolies at bay, and because it creates a wider array of products for consumers to choose from. Barkhatov also considers the Economic Theory of Marginalization, where negative life experiences make people more likely to start their own business, and unemployment, which can also prompt people to create their own jobs.

Numerous studies have also found that a significantly higher percentage of the money a consumer spends at a small business will end up going back into their community, when compared to spending the same amount of money at a larger business (Mitchell 2016). This phenomenon is referred to as the “multiplier effect,” and consists of three components: direct impact, indirect impact, and induced impact. If a consumer spends one hundred dollars at a local business, some of it will be used by the business for operating costs; this is the direct impact. Some of the money used for operating costs will go to other local businesses; this is the indirect impact. Finally, some of the money will go to owners and employees as their income, and a portion of their income will be spent at local businesses (Amiba). The exact percentage of the one hundred dollars that will end up staying in the local economy varies across different studies. A study by the Institute for Local Self-Reliance done in small communities in Maine found that \$100 spent at a small local business would result in \$45 going back into the local economy, compared to \$14 for a chain (Institute, 2003). A similar study found that of \$100 spent at a small business in Portland, Maine, \$58 would return to the local economy, compared to \$33 when the money was spent at a chain (Martin and Patel 2011).

For both large and small businesses, the connection between social responsibility and improved performance is indirect. A study on 182 small businesses in Malaysia found that

their “long-term strategic approach toward CSR is critical in driving their responsible practices toward environment, customer, community, employees, and suppliers which in turn impact small firms’ financial performance and better reputation building,” (Nejati 2017). This also indicates that small businesses can benefit from a strategic approach in regards to social responsibility, just as large businesses can, as shown by the C and E Advisory study.

Fisher et al. and Mathie et. al. advocate for Asset Based Community Development (ABCD). Mathie describes ABCD as an alternative to “the needs-based approach to community development that is so entrenched in government and non-government service delivery” and operates under the premise that “communities can drive the development process themselves by identifying and mobilizing existing (but often unrecognized) assets, and thereby responding to and creating local economic opportunity” (Mathie 2003). Assets that are identified by ABCD are things like individuals’ talents and informal social networks. The combination of these assets creates social capital, which can be just as important as economic capital in terms of community development.

To be successful, ABCD requires the development of social capital, and because, “small-and medium-sized enterprises (SMEs) are recognized for having well-developed systems to maximize social capital we recommend that the framework is best identified within and applicable to this sector” (Fisher 2009). They go on to explain the characteristics that many SMEs share that make them more suitable to ABCD. Among them are a participatory corporate culture, and more emphasis on creating a continuous dialogue among stakeholders.

While these characteristics indicate potential success in asset based community development, they may also indicate a model of socially responsible behavior among businesses that is more consistent than the activities that large corporations participate in. If

SMEs can be successful in meeting the needs of stakeholders, without having the negative characteristics of some corporations, then consumers would have more of an incentive to support SMEs, and therefore transfer their consumer power from large businesses to small ones. This study attempts to serve as a starting point for more conversations about the connections between small businesses and improving society.

### **Methods**

This study uses a mixed methods explanatory design centered on an online survey administered to small business owners that collected and analyzed quantitative and qualitative data in order to get a broad perspective on my topic.

To compile a list of small business contact information, I utilized the Dynamic Small Business Search (DSBS), which is a service of the U.S. Small Business Administration, or SBA. Their website and Small Business Resource Magazine strive to provide small businesses with resources to help them grow and succeed. They also connect other government agencies with small businesses that are registered with the System for Award Management. Government agencies are required to do a certain percentage of their contracting with small businesses, and this database makes it easier for them to search for businesses to contract with. Any small business that would like to do business with the government can register with SAM, and then they can be found in the DSBS.

The DSBS is accessible to anyone with internet access, and searches can be refined by a number of different criteria, including by region. I restricted my results to only include businesses in New England, and sent an email to approximately 5000 of them, asking them to participate in a survey. The email can be found in Appendix A.

### **Survey Components**

The survey was comprised of several sections. The first section asks whether the business being represented is a family business, a minority-owned business, or a woman-owned business, and how many employees it has. The second section asked participants to identify which types of SR their business has participated in, and why. The third section asked participants whether or not they agreed with a series of opinion statements.

The final section asked participants to add any comments that they feel have not been reflected in their responses to the other questions. This section was not originally present in the survey. After receiving 28 responses, I had also received several emails from participants who wanted to explain some of their answers. Because of this, I decided to add a comment section to the end of the survey, so that I could use the explanations in my study. I sent the updated survey to the remaining emails. The original survey can be found in Appendix B on page 40, and the comment section that was added can be found in Appendix C on page 47.

### **Limitations**

Because businesses that are more engaged in the community may be more likely to fill out a survey about social responsibility, there is a potential for response bias. The data may show that a high percentage of respondents are engaged in CSR, but this may not be representative of small businesses as a whole.

Additionally, this study is limited because the businesses surveyed are those that have registered to do business with the U.S. government, and have been approved to do so. This means that the list excludes: business owners that for whatever reason do not want to do business with the government, business owners that are not aware of the existence of the

System for Award Management, and business owners that are not allowed to do business with the U.S. government for whatever reason.

**Results**

**Demographics and Basic Information**

Emails were sent to approximately 7000 businesses registered in the Small Business Administration’s Dynamic Small Business Search. 72 responded. All businesses that were solicited for this project were located in Massachusetts, New Hampshire, or Connecticut. 68% of people taking the survey were the owners of the business they were representing. 16.66% were managers, and 15.27% were otherwise employed by the business.

52.77% of the businesses employed between 1 and 10 people. 30.55% employed between 11 and 50 people. 8.23% employed between 51 and 100 people, 6.94% employed between 101 and 500 people, and 1.38% employed more than 500 people.

39% of the businesses were family businesses. 12.5% were minority owned businesses. 31% were -woman-owned businesses. 23.61% of the businesses conducted the majority of their business online. 33.33% conducted the majority of their business in person at various locations, and 43% conducted the majority of their business in person at a permanent location.

**Table 1** *Percent of total participants that indicated the following responses to describe their business*

1-10 employees	11-50 employees	51-100 employees	101-500 employees	>500 employees	Family business	Minority owned	Woman owned	Online	In-person various locations	In-person permanent location
52.77	30.55	8.23	6.94	1.38	39	12.5	31%	23.61	33.33	43

**Social Responsibility Questions**

37.5% reported that the mission of their business was grounded in improving the social or natural environment. 63.9% of respondents reported that their business had engaged in a partnership with a non-profit or community\* based organization that included more than one interaction with the same organization in the past 12 months.

When asked if the business had a budget specifically allocated for socially or environmentally responsible activities (identified and explained in a previous question), 15.3% said yes, and 30.6% said no. 52.8% reported that they allocate money for such opportunities as they arise. The remaining 1.4% reported that they did not know.

**Table 2** *Percent of total participants that indicated the following responses to describe their business*

SR Mission	Long-term partnership	Has budget for SR	Does not have budget for SR	Allocates money as opportunities arise
37.5	63.9	15.3	30.6	52.8

**Opinion Questions**

The following tables represent the opinions of survey respondents on a variety of statements regarding social responsibility and small business. On the survey, the word “community” was clarified in the following way: “The word ‘community’ can mean a geographical community, or a group of people or entities with shared interests. Please answer the questions based on your understanding of community and the communities you consider

yourself and your business to be a part of.” In the table, “N/A” means that this response was not an option for the particular question on the survey.

**Table 3** *Opinion on statements regarding social responsibility, by percent of total participants who selected each response.*

	I agree with this statement	I agree with this statement and this belief is reflected in how my business is run	I agree with this statement but at this time by business does not fully reflect this belief	I do not agree with this statement
“I believe that anything that benefits the community* as a whole, also benefits my business.”	79.2	N/A	N/A	20.8
“I believe that successful small businesses have a responsibility to the community* we exist in to do our part in addressing issues that affect the community.”	N/A	59.7	33.3%	6.9
“I believe that successful small businesses have a collective power that can be used to create societal change.”	N/A	52.8	37.5	9.7
“I believe that large businesses have a responsibility to society, while small businesses do not.”	9.7%	N/A	N/A	90.2
“I believe that the only responsibility a business has is to generate profit for its shareholders.”	6.9	N/A	N/A	93.1
“I believe that consumers should use their spending power to favor small and medium businesses over large corporations.”	63.9	N/A	N/A	36.1

**Types of SR Activities**

Respondents were asked to indicate which of a number of SR activities their business had participated in. They were allowed to select any number of activities. They were also

allowed to select “other” and describe the activity in their own words. The results are as follows (listed from most common response to least):

**Table 4** *Which of the following SR activities has your business engaged in in the last 12 months?*

---

<b>Activity</b>	<b>Percent selected</b>
Donated goods or services	68.05
Donated money	61.1
Made any decision where the impact on the natural environment was a factor (this includes the business recycling on a large scale, using recycled materials regularly, choosing to avoid dumping harmful materials).	47.22
Provided volunteers to an event	37.5
Made any decision where the impact on the community was a factor (this includes becoming involved in local politics or initiatives)	36.11
Other	29.16
Provided the use of a physical space for free or at a reduced cost	20.83
None of the above	8.3
Mandated that employees complete a given number of volunteer hours	2.77

---

**Motivation for SR Activities**

Respondents were asked to select from a list which motivations their business had for participating in SR activities. They were allowed to select any number of motivations. The results are as follows (listed from most common response to least):

**Table 5** *Why does your business engage in socially responsible activities? (Select all applicable.)*

---

<b>Motivation</b>	<b>Percent selected</b>
To benefit the community	75
Reputation and credibility	43
Long-term stability and impact	36.11
Access to people and contacts (networking and prospecting)	34.72
Access to knowledge	20.83
Innovation	20.83
Other	20.83
Human resource development	15.27
Effectiveness	15.27
Efficiency	13.88
To my knowledge, my business does not engage in any socially or environmentally responsible activities	5.55
Access to funds	4.1

---

Participants were then asked to select just **one** of the motivations that they felt was the **main** motivation for their business’ SR activities. The results were as follows, in order from most common response least:

**Table 6** *What is the main reason your business engages in socially responsible activities?*

*(Select only one.)*

Motivation	Percent Selected
To benefit the community	54.2%
Reputation and credibility	11.1%
Long-term stability and impact	8.3%
Other	8.3%
Access to people and contacts	6.9%
To my knowledge, my business does not engage in any socially or environmentally responsible activities	5.6%
Innovation	1.4%
Effectiveness	1.4%
Human resource development	1.4%

**Demographic Comparisons**

The following table compares how different demographic groups responded to questions that asked them to self-rank their business’ level of engagement in the community, whether their business’ mission was grounded in S.R., and whether their business was involved in a long term (6 months) partnership with a nonprofit organization.

**Table 7**

	Mission grounded in S.R.	Not engaged	Minimally engaged	Somewhat engaged	Very engaged	Involved in long-term partnership
Family business	35.71%	0%	39%	25%	36%	78.57%
Non-family business	38.63%	11.36%	31.81%	38.63%	18.18%	54.54%
Woman owned business	50%	0%	27%	36%	36%	63.63

Non-woman owned business	32%	10%	40%	30%	20%	64%
Minority owned business	66.66%	0%	22.22%	22.22%	55.55%	88.88%
Non-minority owned business	33.33%	7.93%	36.5%	34.92%	20.63%	60.32%
Majority online	47.05%	5.88%	35.29%	35.29%	23.53%	47.05%
Majority in person at a permanent location	32.2%	9.6%	25.8%	38.7%	25.8%	32.25%
Majority in person at various locations	37.5%	4.16%	45.83%	25%	25%	37.5%
Employs 1-10 people	47.36%	5.26%	42.1%	34.21%	18.42	47.36%
Employs 11-50 people	22.72%	9%	38.81%	31.81%	27.27%	22.72%
Employs 51-100 people	66.66%	0%	16.66%	50%	33.33%	66.66%
Employs 101-500 people	0%	0%	20%	20%	60%	0%

**Qualitative Results (Comment Section)**

Of 44 participants that had the option to leave a comment, eight chose to do so. These comments are listed here:

“I believe it's better to give than to receive. I have been in the right place at the right time to have the opportunity to create a business that is growing at a rapid pace... I want to spread my success, with the hope that I can impact the younger generation... they are our future... I raise my children with the same thought process, also making it known how important it is to give

and protect those that are less fortunate. I in-still the core values I have learned throughout my life and hope they too will do the same...”

“Our business does a tremendous amount of community contribution - and the vast majority of that is done anonymously.”

“Business exists to provide a living and wealth to employees. They can engage in social responsibility on their own time with the wealth they acquire as employees.”

“As a young, b2b, small business, we are laser focused on survival at this stage. We will get to a point where hours will normalize and we can institute programs that will encourage our team to contribute.”

“The way you've chosen to ask the questions in this survey and the available answers lean in a very telling direction. You might consider this when looking at your results.”

“I believe social responsibility comes all the way down to the individual level, which is the smallest 'small business' as we each have a responsibility to the community, or there would not be one.”

“I answered 'other' when you asked why we do what we do. It's because 'we feel like it.' Being mostly 'non-resident' taxpayers in this community, we pay a large amount in taxes and receive few benefits for that payout.

It should be noted that we aren't looking for any kind of quid pro quo for that check, twice a year, but we are treated, as the other taxpayers in this town, as if we were 'beasts of burden.'

To what I perceive as the main thrust of this study, corporations have an obligation to the owners. Anything beyond that, say 'social engagement,' can only be for PR purposes.

When somebody, unrelated to the business, says 'You should do...' there is no reason to comply. That is, 'Unless you want to.' 'Implied threats' do not create an 'obligation.'”

“We design and manufacture Geothermal Energy systems which benefit our Society's battle against Climate Change.”

**Opinions**

Participants were asked whether they agreed or disagreed with a series of statements. Additionally, some questions offered a response to indicate whether the belief was reflected in the way their business was run. The results of these questions can be seen in the following pie charts:

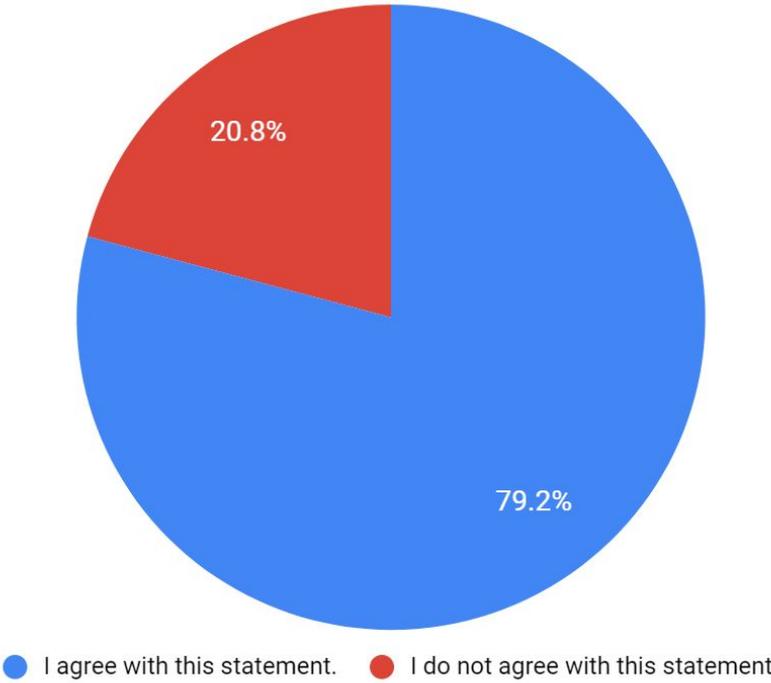


Figure 1. “16. “I believe that anything that benefits the community\* as a whole, also benefits my business.”

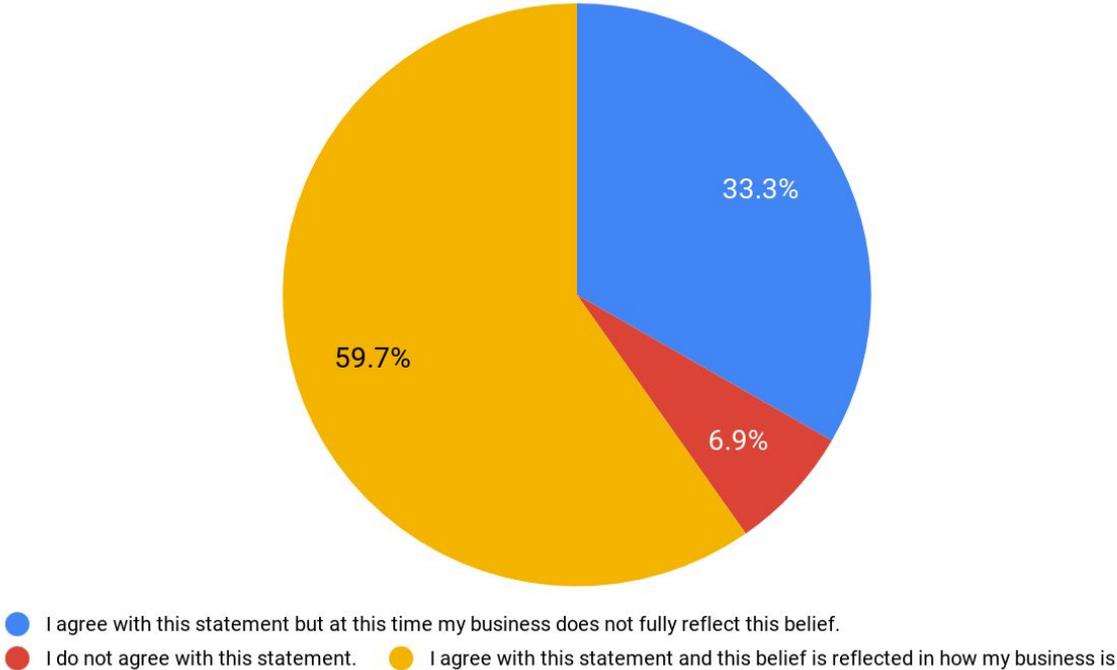


Figure 2. “I believe that successful small businesses have a responsibility to the community we exist in to do our part in addressing issues that affect the community.”

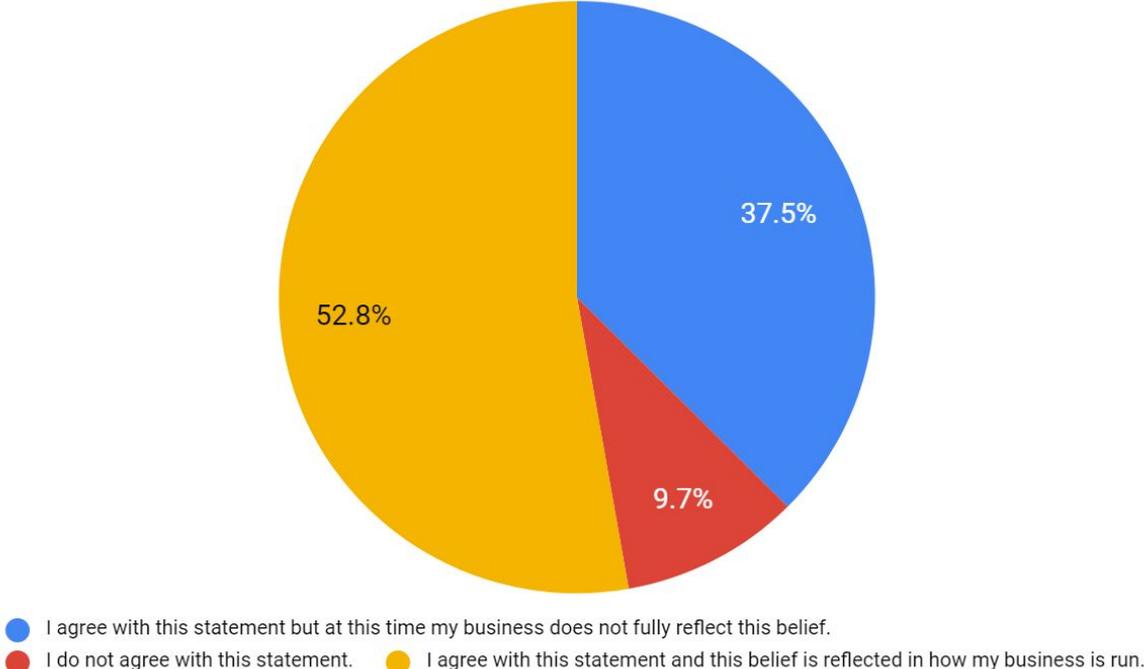


Figure 3. 18. “I believe that successful small businesses have a collective power that can be used to create societal change.”

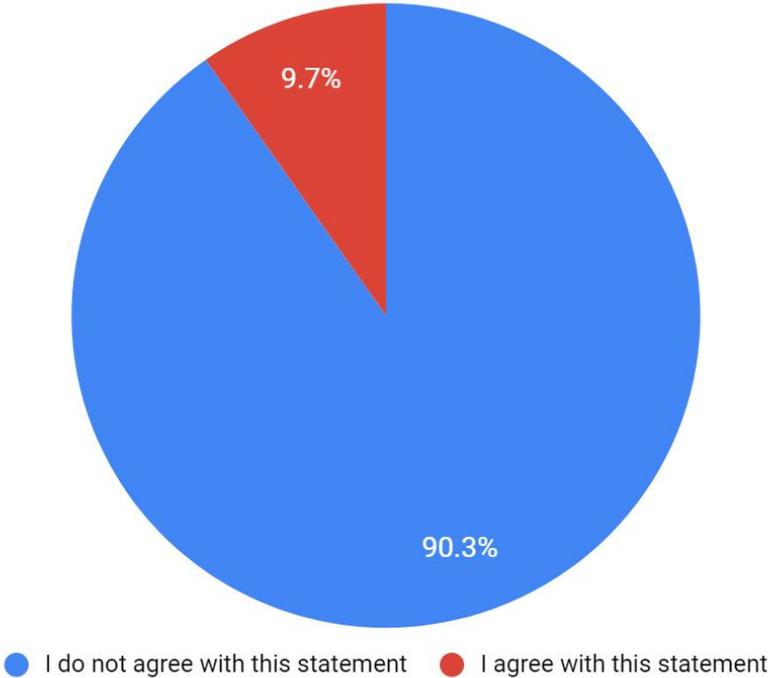


Figure 4. "I believe that large businesses have a responsibility to society, while small businesses do not."

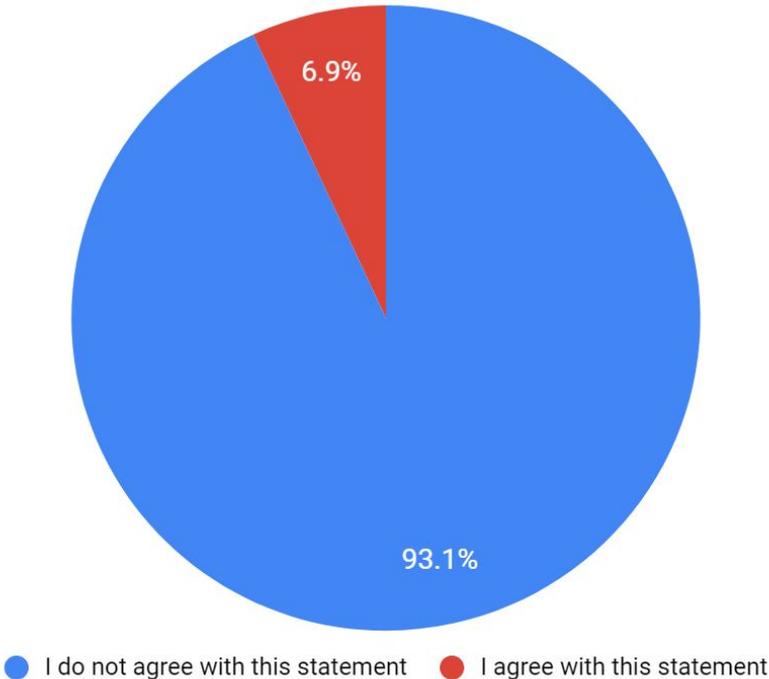


Figure 5. "I believe that the only responsibility a business has is to generate profit for its shareholders."

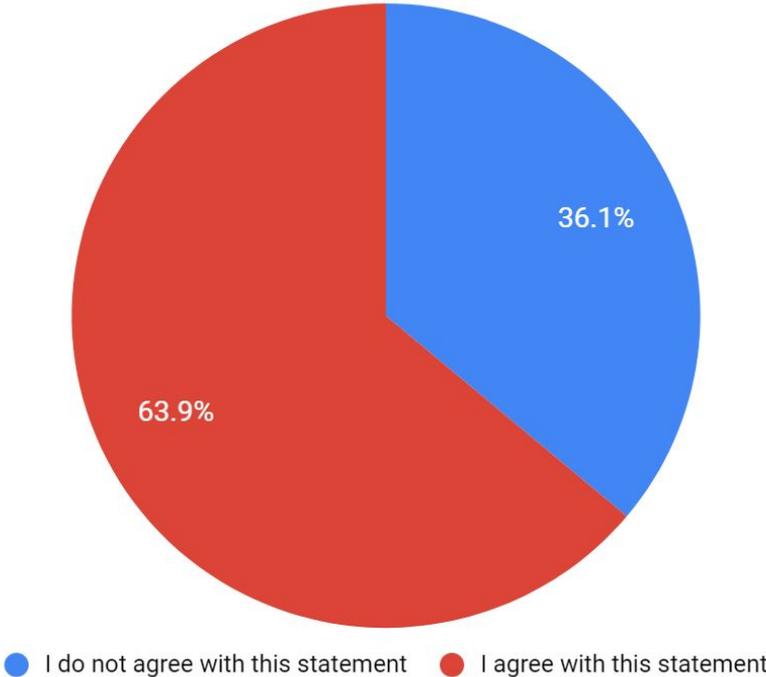


Figure 6. “I believe that consumers should use their spending power to favor small and medium businesses over large corporations.”

**Discussion**

This study found that the majority of small business owners surveyed believed in stakeholder theory, rather than shareholder theory. Multiple questions indicated this opinion, and several comments solidified the stance of these business owners. When compared to the C and E survey discussed in the literature review, the small businesses in this survey were shown to have similar motivations for participating in SR Activities. Businesses owned by women and racial minorities showed a higher level of commitment to SR.

The survey questions can be analyzed in a variety of combinations. They assessed many different aspects of small business social responsibility, as well as a multitude of characteristics of the businesses. The tables in the Results section contain all of the data that

this study yielded. In the following subsections, I highlight what I felt were the most useful ways to combine questions in order to look for connections between them. In many cases, the relationships between survey questions are expanded upon and supported by results from the comments section. Readers and future researchers are welcomed to utilize my results to generate discussions other than the points I have highlighted.

### **Types of SR and Missions**

Survey participants were given a list of SR activities to indicate which ones their business had taken part in. As shown in Figure 4, the most common response was donating goods or services, followed by donating money; making a decision where the impact on the environment was a factor; providing volunteers to an event; making a decision where the impact on the community was a factor; other; providing the use of a physical space for free or at a reduced cost; none of the above; and mandating that employees complete a given number of volunteer hours. Only 8.3% of respondents indicated that they had not taken part in any of the activities. This means that a strong majority of the small businesses represented in the survey participate in SR activities, despite the challenges they face as a result of their resources being more limited than those of corporations.

This question allowed respondents to describe any SR activity they took part in that was not on the list. This additional information helps to create a more complete picture of the ways businesses engage in their communities. One respondent “plan[s] and facilitate[s] meetings of the U.S. Fish and Wildlife Service.” Another supported an employee’s participation in the National Guard. One business owner stated that owners and employees sat on the board of a nonprofit, and another said they offer monthly stipends to individuals who drive hybrid or electric cars. The participants’ specification of these activities show that SR

activities are more varied than they are portrayed in the literature. This diversity explains the lack of a measurement system for CSR in the literature; it is difficult to quantify such a broad range of activities.

37.5% of respondents reported having a mission that was grounded in improving the social or natural environment. These missions are elaborated on by several quotes from respondents, such as, “my work is sustainability related- maintaining good quality water resources” and “all our products are environmentally friendly.” Another respondent explained how their business’ mission was grounded in SR: “The foundation of our business -- electric air taxis -- is a social endeavor, to help save the environment and help save people transportation time that they can use for more worthy endeavors.” The participants that had an SR mission, and especially those that elaborated on those missions, represent stakeholder perspectives, because they see their business as having a responsibility to more than just shareholders and owners. However, it is important to note that these individuals were in the minority. This could be because not all businesses that see SR as a priority actually consider it part of their mission.

### **Strategic Partnerships and Motivations**

The 2017 C and E Barometer Report was used as a starting point for my research, and several of my survey questions were modeled after it. While my questions were not exact replicas of the C and E questions, and therefore can not be viewed as perfect comparisons, it is worth noting the similarities and differences between the results.

C and E surveyed corporations that were engaged in strategic partnerships with NGOs. For my survey, I did not use the term “strategic partnership,” but instead asked participants if their business had “engaged in a partnership with a non-profit or community\* based

organization that included more than one interaction with the same organization in the past 12 months.” 63.9% of my survey respondents said yes. This is important information because according to the C and E studies, strategic partnerships with nonprofits are gradually becoming more common among corporations (C and E 2017).

The questions illustrated in Tables 5 and 6 show the motivations of the businesses for participating in SR activities. All but one of these options were taken directly from the C and E surveys. I added the option “to benefit the community.” As I expected, “to benefit the community” was a common response. When allowed to select any number of motivations, 75% of participants selected this response as one of their motivations. When asked to choose the **main** motivation, 54.2% chose “to benefit the community.” While both of these questions had this response as the majority, the difference between 75% and 54.2% is notable. 75% of respondents considered benefiting the community to be one of their motivations, but when asked to choose the main motivation, many ranked a different motivation as higher.

My results can be compared to the C and E by removing “to benefit the community” and looking at the order of most common results, rather than simply percentages. The C and E results were as follows, ordered from most common response to least: reputation and credibility; access to people and contacts; innovation; long term stability and impact; human resource development; access to knowledge; effectiveness; access to new markets; access to funds; efficiency; other. The results of my survey were as follows, also ordered from most common response to least, and withholding “to benefit the community:” reputation and credibility; long term stability and impact; access to people and contacts. Access to knowledge; innovation; and other were tied at 20.83%. Human resource development; and effectiveness were tied at 15.27%. The three lowest ranking motivations were efficiency and

access to funds. (Access to new markets was mistakenly omitted from my survey.) A notable similarity is that both surveys ranked “reputation and credibility” and “access to people and contacts” in the top three. Both surveys also ranked “efficiency” and “access to funds” low. A possible reason for ranking “access to funds” low is that in the C and E survey, the same question was asked of NGOs, which may have been more likely to be able to obtain funding by participating in partnerships.

Overall, comparing these survey questions shows that corporations and small businesses have similar motivations for participating in SR, when asked to choose from a list. A weakness of this question is that it does not allow participants to describe their motivation in their own words. 20.83% of my survey respondents selected “other,” compared to only 5% of C and E respondents, suggesting that the motivations listed in the question may be better suited to explain the actions of corporations than small businesses.

Several qualitative comments from the comments section explain motivation for SR activities. One respondent said, ““I answered 'other' when you asked why we do what we do. It's because 'we feel like it.' Being mostly 'non-resident' taxpayers in this community, we pay a large amount in taxes and receive few benefits for that payout.” This respondent called attention to a challenge in assessing motivations: they are often hard to put into words, and to distinguish one from another.

## **Opinions**

The C and E surveys asked corporations to indicate whether they agree or disagree with a series of statements. I used a similar format for a section of my survey. 79.2% of respondents believed that “anything that benefits the community as a whole, also benefits

[their] business.” This strong majority may demonstrate a sense of connection that small business owners feel to their community, and an attitude reflective of stakeholder theory.

59.7% believe that “successful small businesses have a responsibility to the community [they] exist in to do [their] part in addressing issues that affect the community,” and also believe that this is reflected in how their business is run. 33.3% agreed with the statement but at this time their business does not fully reflect that belief. Only 6.9% disagreed with the statement. The word “successful” was used intentionally when designing the survey, with the knowledge that small businesses often have to struggle to survive, which makes engaging in SR impossible. This concept was demonstrated by some of the qualitative statements in the comments section. One respondent said, “As a young, b2b [business to business] small business, we are laser focused on survival at this stage. We will get to a point where hours will normalize and we can institute programs that will encourage our team to contribute.” Another said, “Our revenue stream is such that we can afford to invest in the future of our community and act responsibly/make donations. If we were hard up for cash, it would be a lot harder to honor this intention.” A third respondent echoed these sentiments, saying, “I think small businesses have a difficult time being responsible to the community. If they aren't careful, they can lose focus and fail. Failing does a greater disservice to the community than not contributing to the community. In other words, by standing up a small business you are already giving to the community.” These quotes elaborate on the 33.3% who agreed that small businesses should give back but were unable to.

### **Demographic Comparisons: Mission**

Table 7 shows that non-family-owned businesses were slightly more likely than family-owned businesses to have a mission that was grounded in improving the social or

natural environment (38.63% and 35.71%, respectively). Woman-owned businesses were more likely than non-woman-owned businesses to have such a mission (50% and 32%), as were minority-owned-businesses when compared to non-minority owned (66.66% and 33.33%). These findings are significant because they may indicate that businesses owned by racial minorities and women have characteristics that make them prioritize SR.

Analysis of the location where the business is done (Table 7) showed that online businesses were the most likely to have a mission grounded in SR, at 47.05%, followed by businesses that conduct business in person in various locations, at 37.5%. The least likely location to have an SR mission was “in person at a permanent location,” at 32.2%.

The relationship between size of the business (based on number of employees, shown in Table 7) and SR missions showed that businesses with between 51 and 100 employees were the most likely to have an SR-related mission, at 66.66%. The next most likely range was 1-10 employees, of which 47.36% had SR-related missions. Those that employed 11-50 people had a 22.72% rate of having a mission related to SR. 0 of the 5 respondents who reported having more than 100 employees reported having an SR-mission. The strongest indicators of having an SR-mission were being a minority-owned business, and having between 11 and 50 employees.

### **Demographic Comparisons: Long-Term Partnerships**

Table 7 shows that family businesses are more likely than non-family businesses to be involved in a partnership with a nonprofit organization that lasts more than six months (78.57% and 54.54%, respectively). Woman-owned and non-woman-owned businesses had almost equal rates of being involved in such a partnership (63.63% and 64%). Businesses

owned by a racial minority were more likely, at 88.88%, to be involved in a long term partnership than non-minority-owned businesses, at 60.32%.

In terms of location of business, those that did most of their business online were the most likely to be engaged in a long-term partnership, at 47.05%, followed by those that did business in person at various locations, at 37.5%, and those that did business in person at a permanent location, at 32.25%.

### **Demographic Comparisons: Self-ranking of engagement**

Participants were asked to indicate their business' level of engagement in the community. The options were: not engaged at all; minimally engaged; somewhat engaged; and very engaged. The groups most likely to say they were "very engaged" were minority-owned businesses at 55.55%, family businesses at 36%, and woman-owned businesses, also at 36%.

Having more employees indicated a higher self-ranking of engagement. 60% of businesses with 101-500 employees ranked themselves as very engaged, compared to 33.33% for businesses with 51-100 employees, 27.27% for businesses with 11-50 employees, and 18.42% for businesses with 1-10 employees. Similarly, having fewer employees was associated with self-ranking as minimally engaged. It is important to note that there were only 5 participants with between 101 and 500 employees, so the survey results for this group may not be as accurate as the results for groups that were more represented on the survey.

### **Summary of Key Findings**

Many of the important findings of this study came from the "additional comments" section, where participants were able to add offer their views on any aspect of small businesses and social responsibility that they wanted to expand on. Three categories of

responses emerged. The first two are comments that are reflective of the two theories discussed in the literature review: shareholder theory and stakeholder theory. The third group was comments that expressed the difficulties of starting a small business, and balancing being successful with being socially responsible because the two can be at odds.

Another major component of this study was comparing different characteristics of businesses and their owners, and trying to find connections to the ways and degrees to which they practiced social responsibility. One major finding was that businesses owned by racial minorities were more likely than any other group to have a mission that was grounded in social responsibility, and to be involved in a long-term partnership with a nonprofit. More research is needed to discover potential reasons for this finding.

Another important finding was that businesses that conduct the majority of their business online were more likely to have an SR-related mission and to be engaged in a long-term partnership with a nonprofit when compared to businesses that did their business in person. This finding contradicts the idea that online businesses are more impersonal, and may indicate that online businesses are more likely to be socially responsible than others. More research is needed to determine the potential for online businesses to make societal change, and the reasons for my findings.

This study found that 90.3% of the small business owners surveyed agreed with stakeholder theory, which is the belief that businesses have a purpose other than creating profit for shareholders. While this statistic seems promising, it may have been impacted by a response bias. Less than 0.02% of business owners that were emailed filled out the survey, and the 0.02% that would take the time to fill out a survey on social responsibility with no compensation may also be more likely to prioritize social responsibility. This could cause the

results to reflect the thoughts and opinions of business owners that are in the minority in terms of how they prioritize social responsibility.

### **Conclusions**

The findings of this study can be used as a starting point for continued research on social responsibility and small businesses. Discussion of both corporations and small businesses lacks a concrete method of measuring SR, and while it would be difficult to create one, future research would benefit from it.

This field of study could be furthered by more research that captures which issues matter most to small business owners, and which types of CSR make the most positive impact. This study's finding that businesses owned by racial minorities and women tend to demonstrate a higher prioritization of SR could be further explored with interviews with such business owners. Small business owners that prioritize SR may be able to serve as models for other small business owners. It would also be useful to find a way to eliminate the response bias in order to get the perspective of business owners who are less inclined to prioritize SR.

Increasing knowledge and information about small businesses and SR will help give small businesses the tools they need to both succeed and to help their communities succeed. If small businesses are able to compete with corporations not just in terms of financial success, but in terms of social sanctions based on responsible actions, there could be positive implications for the global economy, environment, and society.

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### **Appendix A: Initial Email Inquiry**

Subject Line: Short Survey to Help a Student

To whom it may concern:

I am a graduate student at Merrimack College, and I am writing to ask you to participate in my research project. I am working towards a Master's of Education in Community Engagement, and I am interested in the potential that small businesses have to improve social and environmental conditions.

Large companies are generally expected to participate in “socially responsible” activities, such as contributing funds, volunteers, and other resources to philanthropic causes. I am surveying representatives of smaller businesses to determine the extent to which small and medium size businesses are socially responsible, and to compare their motivations and actions to those of larger businesses.

If you would like to participate in this survey, which is expected to take less than 30 minutes, please click the link below. At the end of the survey, you will be asked if you would also like to participate in an interview to further explore this topic. You will also have the option to leave additional comments about your thoughts on this topic at the end.

### **Appendix B: Original Survey**

315 Turnpike Street, North Andover, MA 01845 | [www.merrimack.edu](http://www.merrimack.edu)

Consent to Participate in Research Study

Title of Study: With Great Power: Assessing the Social and Environmental Responsibility of Small and Medium Businesses

Investigators: Danielle Tetrault, Merrimack College

IRB Number: IRB-FY18-19-83

#### KEY INFORMATION:

1. This project is research and participation is voluntary.
2. The purpose of this study is to determine the extent to which small and medium-sized businesses give back to their communities and participate in socially responsible behavior. If you agree to be in this study, you will be asked to complete the following survey. The survey is expected to take no more than 30 minutes.
3. There are no reasonable expected risks. There may be unknown risks.
4. There are no expected benefits to you for participating.

#### Introduction

- You are being asked to be in a research study of socially responsible behavior among small and medium businesses in Massachusetts.
- You were selected as a possible participant due to your business being registered in the Small Business Administration's System for Award Management, which is available to the public online via the Dynamic Small Business Search.
- We ask that you read this form and ask any questions that you may have before agreeing to be in the study.

#### Purpose of Study

- The purpose of this study is to determine the extent to which small and medium-sized businesses give back to their communities and participate in socially responsible behavior.
- Ultimately, this research may be published electronically in a paper.

#### Description of the Study Procedures

- If you agree to be in this study, you will be asked to complete the following survey. The survey is expected to take no more than 30 minutes.

#### Risks/Discomforts of Being in this Study

- There are no reasonable expected risks. There may be unknown risks.

#### Benefits of Being in the Study

- There are no expected benefits to you for participating.

#### Confidentiality

- This study is anonymous. We will not be collecting or retaining any information about your identity, unless you choose to provide us with additional information at the end of the survey.

#### Payments or Compensation

- There is no compensation for participation.

#### Right to Refuse or Withdraw

- The decision to participate in this study is entirely up to you. You may refuse to take part in the study at any time without affecting your relationship with the investigators of this study, Merrimack College or any study partners. Your decision will not result in any loss or benefits to which you are otherwise entitled.

#### Right to Ask Questions and Report Concerns

- You have the right to ask questions about this research study and to have those questions answered by me before, during or after the research. If you have any further questions about the study, at any time feel free to contact me, Danielle Tetrault, at [tetraultd@merrimack.edu](mailto:tetraultd@merrimack.edu), or by phone at (978) 712-9543

You may also contact the Merrimack College faculty supervisor of this research: John Giordano, [giordanoj@merrimack.edu](mailto:giordanoj@merrimack.edu), or by phone at (617)-870-4846 If you like, a summary

of the results of the study will be sent to you. If you have any other concerns about your rights as a research participant that have not been answered by the investigators, you may contact the Chair of the Merrimack Institutional Review Board at (978)-837-5280 or by email at [irb@merrimack.edu](mailto:irb@merrimack.edu).

•If you have any problems or concerns that occur as a result of your participation, you can report them to the Chair of the IRB at the contact information above.

#### Informed Consent

•Clicking NEXT below indicates that you have decided to volunteer as a research participant for this study, and that you have read and understood the information provided above.

#### NEXT

1. What is your relationship to the business that you are representing in this survey?  
(Please choose only one).
  - I own the business
  - I manage the business
  - I am otherwise employed by the business
2. How many people does your business employ?
  - 1-10
  - 11-50
  - 51-100
  - 101-500
  - More than 500
3. Is your business considered a family business?
  - Yes
  - No
4. Is your business considered a minority-owned business?
  - Yes
  - No
5. Is your business considered a women-owned business?
  - Yes
  - No
6. Which of the following is the primary way your business functions?
  - Online

- In-person at a permanent location
- In-person at various locations
- Other

7. The following is a list of activities that a business could engage in that reflect a sense of social or environmental responsibility. Which of the following has your business engaged in in the past 12 months? (Check all that apply).

- Provided volunteers to an event
- Mandated that employees complete a given number of volunteer hours
- Donated money
- Donated goods or services
- Provided the use of a physical space for free or at a reduced cost
- Made any decision where the impact on the natural environment was a factor (this includes the business recycling on a large scale, using recycled materials regularly, choosing to avoid dumping harmful materials).
- Made any decision where the impact on the community was a factor (this includes becoming involved in local politics or initiatives)
- Engaged in the community in a positive way that is not listed above.
- Any other activity not listed here which in your opinion, reflects a sense of social or environmental responsibility.
- None of the above

8. Is your business's mission grounded in improving the social or natural environment?

- Yes
- No
- I do not know

9. Has your business engaged in a partnership with a non-profit or community based organization that included more than one interaction with the same organization in the past 12 months?

- Yes
- No

10. Does your business have a budget allocated for any of the activities you checked off above?

- Yes
- No
- We allocate money for such opportunities as they arise
- I do not know

11. Do you have an employee or employees whose **main** job is to organize engagement activities such as those listed above?

- Yes, full time
- Yes, part time
- No

12. Do you have an employee whose job description **includes** organizing engagement activities such as those listed above?

- Yes
- No

13. In your opinion, how engaged is your business in the community in which it is located?

- Very engaged
- Somewhat engaged
- Minimally engaged
- Not engaged at all

14. Why does your business engage in responsible activities such as those listed above? (check all that apply)

- To benefit the community
- Reputation and credibility
- Access to people and contacts (networking and prospecting)
- Innovation
- Long-term stability and impact
- Human resource development
- Access to knowledge
- Effectiveness
- Access to new markets
- Access to funds
- Efficiency
- Other
- My business does not engage in any socially or environmentally responsible activities

15. Of the reasons you selected above, what is the **primary** reason your business participates in responsible activities?

- To benefit the community, because my business will thrive if the community thrives.
- Reputation and credibility
- Access to people and contacts
- Innovation
- Long-term stability and impact
- Human resource development
- Access to knowledge
- Effectiveness
- Access to new markets
- Access to funds
- Efficiency
- Other
- My business does not engage in any socially or environmentally responsible activities

16. “I believe that anything that benefits the community as a whole, also benefits my business.”

- I agree with this statement.
- I do not agree with this statement.

17. “I believe that successful small businesses have a responsibility to the community we exist in to do our part in addressing issues that affect the community.”

- I agree with this statement and this belief is reflected in how my business is run.
- I agree with this statement but at this time my business does not fully reflect this belief.
- I do not agree with this statement.

18. “I believe that successful small businesses have a collective power that can be used to create societal change.”

- I agree with this statement and this belief is reflected in how my business is run.
- I agree with this statement but at this time my business does not fully reflect this belief.
- I do not agree with this statement.

19. “I believe that large businesses have a responsibility to society, while small businesses do not.”

- I agree with this statement
- I do not agree with this statement

20. “I believe that the only responsibility a business has is to generate profit for its shareholders.”

- I agree with this statement
- I do not agree with this statement

21. “I believe that consumers should use their spending power to favor small and medium businesses over large corporations.”

- I agree with this statement
- I do not agree with this statement

22. Please indicate below whether you are interested in participating in the interview component of this study.

- No, I am not interested in further participation in this study.
- Yes, I am interested in sharing more about how I feel about businesses engaging in socially and environmentally responsible activities.(By filling out the information below, you are choosing to waive your anonymity.)
  - Name: ○ Phone number: ○ Email: ○ Name of business you are representing: ○ City and state business is located in:

#### **Appendix C: New Section of Survey**

23. Additional comments: Please use this space to share any information that you would like to add about the topic of “small business and social responsibility” that you feel was not reflected in your answers to the survey questions.