12-7-2009

Small Business Engagement With Sustainability in Regional Australia

Trevor Lucas  
*formerly Southern Cross University* (decs.),

Robert Cunningham  
*Uni of Western Australia*

Geoff Lamberton,  
*Southern Cross University*

Follow this and additional works at: [http://epubs.scu.edu.au/jesp](http://epubs.scu.edu.au/jesp)

Recommended Citation
Lucas, Trevor; Cunningham, Robert; and Lamberton, Geoff (2009) "Small Business Engagement With Sustainability in Regional Australia," *Journal of Economic and Social Policy*: Vol. 13 : Iss. 1 , Article 3.  
Available at: [http://epubs.scu.edu.au/jesp/vol13/iss1/3](http://epubs.scu.edu.au/jesp/vol13/iss1/3)
Small Business Engagement With Sustainability in Regional Australia

Abstract
This research investigates the extent of social and environmental responsibility in small businesses which operate in Northern New South Wales, and the relationship between the level of social and environmental responsibility and business success. Results from this study enable comparison with Besser's (1999) study in the northern American State of Iowa which identified a relationship between success of small business and their operators' level of community involvement, as well as UK research which reports minimal evidence of environmental responsibility within small business. This research draws on a stratified random sample of 195 small business owners and managers in 10 communities within the Far North Coast region of New South Wales, Australia. The survey adapted Besser's (1999) scales to include measures of both social and environmental responsibility which is compared to a self assessment of business success. Results from this research were contrary to Besser's findings and more consistent with similar studies of UK small businesses which displayed low levels of socially and environmentally responsible actions.

Cover Page Footnote
Trevor Lucas lectured at Southern Cross University within the Faculty of Business until he sadly passed away in April 2006. Trevor was a much loved friend and highly respected colleague and is greatly missed.

This article is available in Journal of Economic and Social Policy: http://epubs.scu.edu.au/jesp/vol13/iss1/3
Introduction

This research tests the findings of Besser’s (1999) study of the relationship between the success of small businesses in small towns within Iowa, U.S.A. and their level of business social responsibility as measured through the self-reports of their owners or managers. The objective of this research is to determine if evidence from Australian small business support Besser’s findings of significant levels of socially responsible behaviour, or whether Australian small business follow the UK experience of minimal socially and environmentally responsible actions.

Besser used the enlightened self-interest model to explain socially responsible behaviour in Iowa, where small business operators recognised that contributing to the social well-being of the rural communities in which the business operated was also good for business financial performance. However, in contrast, UK researchers explain low levels of small business socially and environmentally responsible behaviour using a competitive cost model. According to this model, small business operators are deterred by the significant financial cost of being socially and environmentally responsible and thereby reject the business case for sustainability and its promise of win-win outcomes.

The different findings and conclusions drawn from the US and UK studies underpins the critical policy choice of driving increased levels of business sustainability through government regulation or relying on voluntary action by small business in response to market economic forces.

In the next section of this paper we provide an overview of the corporate social responsibility literature including specific research concerning small business social and environmental responsibility. We then provide a summary of the research method used in this study, followed by data analysis, interpretation and conclusions.

Corporate social responsibility

In an historical analysis of corporate social responsibility (CSR) research de Bakker et al. (2005) identify discussion in the academic literature of the social responsibility of business in the 1950s. Bloom and Heymann (1986) go back further and report that in the early 1900s ‘Progressive Reformers’ in the USA claimed that corporations were responsible for their impact on society, recognising the need to protect society from corporate excess to achieve social justice.

Development of CSR and the evolution of related concepts such as triple bottom line (Elkington 1997) together with their widespread use, reflects increasing interest in the CSR agenda within business. Typically stakeholder theory is used to describe CSR as meeting the needs of a broad group of stakeholders affected by the company’s operations, rather than the traditional and narrow focus on maximising shareholder returns. For example, McWilliams and Seigal (2001, p117) define CSR as ‘actions that appear to further some social good, beyond the interests of the firm and that which is required by law’.
Moir (2001, p19) states that CSR involves the following key principles:

- to treat employees fairly and equitably;
- to operate ethically and with integrity;
- to respect basic human rights;
- to sustain the environment for future generations;
- to be a caring neighbour in their communities.

Moir’s principles cover both environmental and social impacts, which together with conventional profit and wealth oriented economic goals form the triple bottom line of business sustainability.

CSR primarily focuses on large for-profit companies. Besser (1999) coined the term ‘business social responsibility’ to broaden the issue to include smaller business organisations, although his term does not embrace ecological issues. Consequently, the focus of this research is awareness of ‘business sustainability’ issues amongst small business owners and managers, where ‘sustainability’ is used in recognition that the survival and success of business is interconnected with its economic, social and environmental performance.

Moir’s five principles are equally relevant to small business as they do not discriminate based on size. Collectively small firms are significant in terms of their total social, environmental and economic impact, however individually there is doubt as to whether small firms have the financial resources to respond significantly to the CSR challenge (Revell 2003).

**CSR and financial performance**

An important area of CSR research is the extent of the relationship (if any) between social responsibility and firm performance. A reason for a slow uptake of CSR activities by business organisations is the view that CSR leads to increased costs and therefore a trade-off against profitability.

However research by Pava and Krausz (1996) found that firms which met social responsibility criteria did as well or better than firms that did not. Kolstad (2007) argues that although there is some empirical support for a positive relationship between social performance and financial performance, the inherent methodological weaknesses in these studies caused by the difficulty in measuring social performance and the confidentiality of many firm’s financial performance, leave this conclusion far from certain.

However measurement of performance toward CSR objectives is evolving. Carroll (1999) provides a model of corporate social performance that focuses on economic, ethical, legal and voluntary or philanthropic activities. Performance measurement requires the reporting of philanthropic actions, compliance with legislation, economic indicators such as profit and narratives of unethical corporate behaviour.

The Global Reporting Initiative provides a state-of-the-art comprehensive model for measuring corporate sustainability based on a wide array of indicators (GRI 2008).
performance is measured with reference to corporate policy on labour practices, product responsibility, human rights and societal issues such as corruption and bribery. Given many of the social performance indicators are difficult to measure in quantitative units, the GRI Sustainability Reporting Guidelines require a range of social policies to be specified, together with a description of the system used to monitor compliance with the policy and results from the monitoring process.

Measurement of the performance of business in achieving corporate social responsibility objectives is problematic. Extensive measurement of corporate social performance using a framework such as the GRI requires a major resource commitment (Lamberton 2005) and is beyond the reach of many small business organisations.

Whilst the limitations of self-assessment is fully acknowledged, more sophisticated information provided by CSR and Sustainability reports are not generally prepared by small business and accounting financial statements were not available to the researchers. However self-assessment does enable a direct comparison to the results of Besser’s study. Therefore this research utilises Besser’s self-assessment measurement process which requires self-assessment by the owner or manager of economic, social and environmental performance.

Small business and sustainability

There is a paucity of literature on Australian small businesses and sustainability issues. A study conducted by Dawson, Breen and Satyen (2002) found that ethical concerns are significant to Australian small business operators, although some variation occurs according to age, gender and education. Findings from earlier research conducted overseas report significant differences in owner/managers’ attitudes towards environmental issues (Rutherford, Blackburn & Spence 2000) and in their values towards their community (Miller & Besser 2000; Besser 1999). However a survey of 209 small businesses in South Eastern USA by Smith and Oakley (1994) found that size of the community in which the business is located is a more reliable predictor of small business owners’ ethical business values than age or level of education.

Besser (1999) found an enlightened self-interest model to be an appropriate theoretical framework for understanding business social responsibility of small firms. The self-interest model seeks a balance between the means by which a business achieves economic success and wider stakeholders’ concerns and expectations about how those means impact on the community and natural environment. Besser’s findings support the conclusions drawn from earlier studies by Brown and King (1982) and by Smith and Oakley (1994) that the activities of businesses in small towns are more sensitive to public scrutiny and local community sanctioning mechanisms.

Besser (1999) addressed a range of issues concerning operationalisation and testing of his self-interest model of business social responsibility, which had been identified by previous research studies. A key issue is the lack of universally agreed definitions of ‘business social responsibility’ and of ‘business success’.

Jenkins (2004) argues that conventional CSR theory is inappropriately applied to small businesses as it assumes similarity with large companies. One view is that larger firms
have more resources to devote to addressing business sustainability issues (Lucas 2004). However Sarbutts (2003) concluded that small businesses are better placed to take advantage of CSR initiatives, as smaller firms have a closer relationship with their community.

Besser discovered a correlation between business age and success and business age and social responsibility. In terms of business operator demographics, Besser found small business owners, who have higher levels of education and business experience, were most likely to be committed to their community. Contrary to the findings of prior research, Besser found that operators’ gender and age as well as the size and age of a firm were not associated with business success (Besser 1999).

**UK small business sustainability research**

Princic (2003) found that CSR implementation costs within small to medium sized enterprises (SMEs) are high, particularly within the manufacturing and primary resource sectors. Low environmental impact products were difficult for SMEs to source and high environmental performance was not seen to be linked to increased sales.

In contrast, Naffziger et al. (2003) found a positive correlation between effort to implement environmental concerns within the small business and operational efficiency, firm image and profit. Simpson et al. (2004) found in a UK survey that environmental responsibility was seen as a business cost which could not be passed on to the customer due to the competitive nature of the business environment. Competition led to firms making operational changes which reduced costs and improved environmental performance at the same time, but the motivating factor was cost efficiency rather than environmental responsibility. The authors concluded that, at least within their UK sample of small firms, improved environmental performance was not seen to provide the theorized win-win outcome of competitive advantage and improved financial performance.

These results are also supported by Revell’s (2003) UK based study within the building construction industry where small business owner-managers perceived no link between improved environmental performance and financial benefits to the firm. The market was not seen to be placing additional value on environmental best practice, whereas limited resources were seen to be an impediment to initiating environmental change.

Revell (2003) agreed with Rutherfoord et al. (2000) that small business cannot be left to voluntarily change their impact on the environment, and that government intervention, whether through regulation or incentive, is required. Revell and Blackburn (2007) also found that SME operators reject the business case for sustainability in favour of the more pragmatic view that environmental sustainability leads to an increase in business costs providing insufficient incentive to adopt CSR voluntarily.

Williamson et al. (2006) argue for stronger regulation as the best means for improving CSR practice given CSR is perceived as optional and costly. Masurel (2007), drawing on SME research in the Dutch printing industry, found that legislation and the desire to provide safe working conditions were the major motivating factors for SMEs to invest in improved environmental performance.
In this context, the oft-cited industrial ecology developed in Kalundborg, Denmark (Chertow, 2007) where a number of firms and industries work together cooperatively to minimise environmental impact, speaks against the application of rigid formulas in the pursuit of sustainability, and rather highlights the importance of ‘governmental leadership to structure incentives that allow these individual and market forces to work towards beneficial, sustainable goals, rather than destructive and exploitive goals’ (Collin and Collin 1994, p 432).

The international studies summarised in these section, most of which are from the UK show a significantly different picture to Besser’s study in the US, which found a correlation between social responsibility and financial success. One of the objectives of this research is to determine whether Australian SMEs located on the North Coast of New South Wales report CSR behaviour similar to either the US or UK studies.

**Research method**

For the purpose of this study a small business was defined as a for-profit organization with less than 20 employees that is listed in telephone or Chamber of Commerce directories. Lists of small businesses in 10 communities within the Far North Coast region of the State of New South Wales (NSW) in Australia were compiled from telephone directories and local Chambers of Commerce data.

These communities vary from 2,000 to 43,000 in population size. All 10 communities are located on or within 80 kilometres of the NSW coast. From these lists, a random sample of small businesses was chosen and stratified to over-sample businesses in smaller towns to ensure representation of small businesses from the complete range of sample community sizes.

A total of 241 questionnaires were distributed and collected by hand from each business, with the collection date usually falling within 2 weeks of distribution. 195 surveys were returned providing a response rate of 80.9 percent. It is suggested that the high survey response rate was a corollary of the survey distribution method which placed a specific emphasis on direct personal visits to the business with accompanying follow-up visits to ensure the business could associate a person to the survey.

Given the labour intensive method used to distribute and collect questionnaires the area chosen for distribution was within a one hour drive from the researchers’ workplaces, covering the Far North Coast region of New South Wales. This enabled a strongly representative sample to be drawn from this area.

However given 60 percent of respondent businesses were in the retail sector, and approximately 10 percent were in accommodation and/or food this sample is not representative of the Australian small business sector in general (Trewin 2001). This large concentration of retail businesses may be representative of other coastal areas outside the major cities. Therefore generalisation of these research findings is not appropriate Australia-wide or in areas that have large manufacturing, construction or property services sectors.
The research instrument was a modified version of a survey tool used by Besser (1999). The research tool consisted of 45 items spread over five parts, which are:

1. Community demographics
2. Business demographics
3. Operator/manager demographics
4. Social responsibility
5. Environmental responsibility.

Besser’s scale used to measure business social responsibility was expanded from seven to ten items with slightly modified language, adding questions relating to occupational health and safety, compliance with legal and industry standards and relationships with suppliers. A personal leadership variable was created from two items about the operators having occupied leadership positions within the community. Their responses were either no or yes, scored as 0 or 1 respectively, and summed to give a variable between 0 and 2. Eleven items were developed to measure the level of environmental responsibility exhibited by the sample of small businesses.

In relation to the concept of ‘business success’ Besser highlighted the likelihood of owner/operators in small towns being unwilling to share sensitive information about the financial success of their businesses (and this could extend to their views and behaviour on sustainability issues), as well as a complex array of motives as to why business owners and managers took on their roles, beyond financial reasons, making the notion of ‘success’ difficult to define and measure.

This study, similar to Besser (1999), uses a single, subjective measure of business success together with other indicators of business performance, namely change in the number of employees over a five years period and future growth plans. Besser’s recommendation to use wider sources of financial information to avoid limited findings is duly noted, but the researchers are unable to gain access to other suitable and detailed sources.

**Findings**

The completed surveys provide a range of demographic data concerning each business as well as evidence and attitudes concerning social and environmental responsibility. Both perceptions and actual examples of social and environmentally responsible actions were surveyed providing dual measures of business sustainability performance.

Almost 30 percent of respondents were in business for 20 years or more, with 30 percent in business for five years or less. The size of respondent’s businesses were concentrated towards the small end of the SME scale with over 62 percent of respondents having less than five employees, whilst the number of businesses with between 10 and 19 employees increased from 6.2 percent to 12.4 percent over the past five years. Approximately 67 percent of respondent businesses reported five or less local competitors and 57 percent of respondent businesses expected to expand their business over the next five years.

Respondents were asked to rate the success of their business using their own definition of success on a five point scale from unsuccessful to highly successful. The mean response
was 3.7 which lies between moderately successful (3) and quite successful (4) (Table 1). 10.8 percent rated their business highly successful, whereas 84.6 percent rated their business as either moderately successful or quite successful.

Table 1: Business success statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-assessment of business success</td>
<td>3.7</td>
<td>0.75</td>
</tr>
<tr>
<td>Perception of social responsibility</td>
<td>3.8</td>
<td>1.20</td>
</tr>
<tr>
<td>Assessment of environmental responsibility</td>
<td>3.7</td>
<td>1.06</td>
</tr>
</tbody>
</table>

Other demographic findings include

- 74 percent of respondents were owners and managers of their businesses, whilst 68 percent were male
- 52 percent were aged between 30 to 49 years and 42 percent were aged between 50 to 64 years
- 31 percent of respondents were educated to year 12 or less, 26 percent had university education, and 56 percent had 10 years or more experience in their business
- 84 percent had not held an elected office in the community, whereas 38 percent held a leadership position in a local civic organisation since they began operating their businesses.

From a general perspective respondents were asked a series of open ended questions relating to criteria they personally use to define 1. Business success; 2. Social responsibility; and 3. Environmental responsibility. The most repeated comments and trends evident in these responses were:

- Financial criteria ranked below customer/service oriented criteria as indicators of a successful business. Quality of products and service was third ranked business success criteria.
- Donations and sponsorships were the dominant criteria of social responsibility. One respondent felt business did not have a social responsibility, whilst a second respondent noted that the firm was stretched financially and struggled to meet obligations to employees, providing insufficient resources to consider community responsibility.
- Recycling initiatives were the dominant criteria of environmental responsibility. Efficient waste management including toxic waste disposal and purchase of environmentally friendly and natural products also considered prominently.
Social responsibility

To assess business social responsibility respondents were asked a series of questions concerning their relationships with suppliers, customers, employees, and the local community including examples of sponsorship and donations.

A large proportion of respondent businesses reported community sponsorships (76 percent) and charitable or local community donations (91 percent) over the past two years, and 49 percent reported providing free technical assistance to the local community. Over half (52 percent) of respondents reported providing staff with time off for TAFE or University education, 30 percent provided staff with paid time off to perform charitable work, 82 percent allowed staff to work flexible hours, and 65 percent reported paying above award wages.

A large percentage of respondents agreed or strongly agreed with statements concerning: ensuring health and safety of staff (97 percent), being fully compliant with relevant laws (96 percent) and being open and fair with suppliers (99.5 percent). Respondents were asked to rate the extent to which local residents perceived their business to be socially responsible on a five point scale. The mean response was 3.8 (Table 1) where a rating of three would be considered as neutral and a rating of five would be considered as very socially responsible.

Furthermore a composite index was constructed aggregating each respondent’s answers to the social responsibility survey questions, representing a measure of the degree of social responsibility as indicated by their firm’s specific actions. These survey questions concerned the business operator’s willingness to support the local community, engage fairly with suppliers and customers, comply with relevant industry standards and provide a safe and healthy work environment for employees.

This social responsibility index was found to have

- a mean response of 25.3 (standard deviation of 3.2) out of a possible 30 points indicating operators agreed positively with the social responsibility actions;
- very low correlation (Pearson coefficient = 0.189) with local resident’s perceptions of business social responsibility ;
- very low correlation with respondents’ own rating of the success of their business (Pearson coefficient = 0.145, Table 2); and
- low correlation with the similar composite index constructed for business environmental responsibility (Pearson coefficient = 0.274).
Correlation analysis was used to explore the extent of the relationship between the social responsibility index and the demographic variables described in the previous section of this paper. A low level of variation in socially responsible behaviour (as measured by the social responsibility index) is explained by demographic variables ($R^2 = 0.122$, indicating 12.2 percent of variation in socially responsible behaviour is explained by variation in demographic variables, Table 3).

### Table 2: Correlation between rate of success & social responsibility

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>.145(*)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.043</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sample size</td>
<td>194</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Correlation is significant at the 0.05 level (2-tailed).

Correlation analysis was used to explore the extent of the relationship between the social responsibility index and the demographic variables described in the previous section of this paper. A low level of variation in socially responsible behaviour (as measured by the social responsibility index) is explained by demographic variables ($R^2 = 0.122$, indicating 12.2 percent of variation in socially responsible behaviour is explained by variation in demographic variables, Table 3).

### Table 3: Correlation between social responsibility & demographic variables

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>R Square</td>
<td>Adjusted R Square</td>
<td>Std. Error of the Estimate</td>
</tr>
<tr>
<td>.349</td>
<td>.122</td>
<td>.002</td>
<td>3.432</td>
</tr>
</tbody>
</table>

Results showing low correlations with other variables measured in this study indicate that socially responsible behaviour as reported by the small to medium sized businesses included in the sample is both unpredictable and largely unexplained by factors such as business experience, perceived success, education levels, business type and/or size.

Not only did the survey distribution method secure a high response rate, it was also beneficial for gathering anecdotal commentary from small business owners who, on occasion, had unique perspectives on the role of small business in relation to business sustainability. For example, one small business owner indicated that many of her loyal customers frequented her retail outlet for social reasons, namely to experience personal interaction that they find wanting in franchises and large shopping-mall retail outlets. The business-owner further suggested that many contemporary social exchanges occur within the context of the commercial realm, and in this respect the small business offered the most personalized social exchange, and therefore created an important social medium for citizens.

Whilst a significant proportion of small business reported socially responsible actions such as community sponsorship, donations, provision of free technical assistance and support of staff to pursue education and charitable work, there is no clear relationship between these actions and firm performance or demographic variables. This inability to explain small business socially responsible behaviour is in contrast to Besser’s study which found a correlation between business age, education levels and experience and business success and social responsibility.
Environmental responsibility

To assess business environmental responsibility, respondents were asked a series of questions concerning the impact of their business on the natural environment including whether they engage in specific environmentally responsible activities. The major findings concerning the environmental responsibility of respondents follow.

A large percentage (86.6 percent) of respondent businesses reported engaging in recycling of waste and efficient waste management (89.8 percent). There was evidence of initiatives to reduce energy and water consumption (75.4 percent), and increased usage of environmentally responsible products (61.5 percent).

Respondents were asked to rate their perception of the environmental responsibility of their business. The mean response was 3.7 (Table 1) where five corresponds to ‘very environmentally responsible’ on a five point scale.

Similar to the social responsibility responses, a composite index was constructed aggregating respondent’s answers to environmental responsibility survey questions. These questions concerned the business operator’s waste, recycling, energy, supply chain and water management practices, as well as the operator’s attitudes towards improving environmental performance.

The environmental responsibility index had a mean response of 39.4 (standard deviation of 7.7) out of a possible 44 points indicating operators agreed positively with the environmentally responsible initiatives identified in the survey. This index was found to have a moderate correlation with respondent’s own perception of how environmentally responsible their businesses were (Pearson coefficient = 0.692, Table 4).

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>.692</td>
<td>.479</td>
<td>.476</td>
<td>.766</td>
</tr>
</tbody>
</table>

The environmental responsibility index was found to have a low correlation with respondents’ own rating of the success of their business (Pearson coefficient = 0.03). Similar to results for the social responsibility index, a low level of variation in environmentally responsible behaviour is explained by demographic variables (R2 = 0.145) indicating 14.5 percent of variation in environmentally responsible behaviour is explained by variation in demographic variables (Table 5).
Table 5: Correlation between environmental responsibility & demographic variables

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>.381</td>
<td>.145</td>
<td>.020</td>
<td>8.290</td>
</tr>
</tbody>
</table>

As with the social responsibility variables, demographic characteristics again proved insufficient for explaining a significant proportion of variation in the environmental responsibility of small and medium sized businesses.

Results from the survey of small business environmental responsibility failed to find any significant relationships between demographic variables, business success and environmental responsibility. However the high frequency of responses reporting responsible environmental management actions show examples of behaviour that reduces both natural resource consumption (energy, water) and pollution (use of recycling and low impact products).

Implications for policy formulation

Besser’s (1999) finding of a link between small business success and social responsibility was explained by the enlightened self-interest model; that is it is mutually beneficial for small business to be socially responsible. The self-interest model is reliant on existing incentives within market economies to motivate small business to voluntarily pursue sustainability goals, without the need for further Government intervention.

However results from this research failed to support Besser’s (1999) findings. Similar to UK studies this research found only minimal evidence of small business social and environmental responsibility and there was no correlation with business success. The conclusion in the UK studies of both Revell (2003), Rutherford et al. (2000) and Revell and Blackburn (2007) was that self-interest alone is insufficient, necessitating Government intervention compelling business to engage in socially and environmentally responsible actions.

Shaw and Barry (2004) identify regulation, incentives and pricing mechanisms as three possible forms of Government intervention. Regulation covers, for example, environmental protection and labour health and safety legislation; incentives include lower taxes for more sustainable businesses; and the Australian Government’s proposed Carbon Pollution Reduction Scheme provides an example of a pricing tool aimed at increasing the prices of economic goods to include the cost of carbon.

The inherent weakness of the enlightened self-interest model is the assumption business will invest in the short term for perceived and less tangible longer term benefits. Significant environmental gains in areas such as energy, transport and elimination of waste require the redesign of products and operational systems to reduce reliance on unsustainable global energy, waste and transport systems.

Such design expertise does exist; see for example the work of McDonough and Braungart (2002) who have worked with many organisations redesigning production systems to
minimise negative environmental and social impacts, but given limited supply this expertise is more readily employed by large companies within the corporate sector. This emphasises the importance of the Government’s role in both setting targets to achieve (for example) desired reductions in carbon emissions, as well as actively engaging with business in the process of developing the action plan defining how these targets will be met. Small business is currently sitting outside this action plan.

Conclusions

Given the lack of access to small business financial statements due to confidentiality issues, and the absence of comprehensive sustainability and CSR reports, this research is heavily reliant on self-assessment of social responsibility, environmental responsibility and business success. This limitation accentuates the need to determine whether replications of studies such as Besser’s (1999) produce similar results, as repeated findings are required to increase research validity.

Results from this research failed to support a similar study performed by Besser (1999) in the United States. No relationship was found to exist between business success and social or environmental responsibility of small business on the NSW North Coast. Furthermore the extent of socially and environmentally responsible behaviour was found to have very low correlation with demographic variables used in this study.

Whilst there were a significant proportion of small businesses reporting socially and environmentally responsible actions in this study, these are very much at the low end of sustainability performance. Recycling was the only commonly cited environmental management technique and socially responsible actions mainly involved local donations and sponsorship. These actions might be an important first step but represent a very small commitment to sustainability.

UK studies of small business found socially and environmentally responsible actions were minimal, whereas Besser’s (1999) conclusion of the relevance of the self-interest model suggests business operators perceive a link between increased social and environmental performance and improved financial performance. Besser’s findings are contrary to the view that sustainability requires additional resources that impact negatively on short term financial performance.

Whilst the promise of the win-win path to sustainability, where improved environmental and social performance leads to increased financial viability is seductive, it quite possibly represents an unrealistic picture of the competitive business environment which prioritises short term financial objectives. When asked to identify criteria for business success most small businesses identified customer satisfaction or profitability. Not one respondent mentioned a broad performance measure such as sustainability as a critical success criterion.

Furthermore there was substantial evidence of environmentally responsible actions by a large proportion of respondents (between 86 and 90 percentage) in the areas of recycling and waste management. However these actions are relatively very low cost compared to switching to renewable energy or low emissions transport options. This supports the conclusion drawn in the UK studies that cost factors are a major barrier to small business sustainability.
Elkington (2004) describes the challenge of sustainable capitalism as being one of the most complex problems facing humankind. This complexity supports the growing view that self-interest alone is an inadequate vehicle to drive business along the path to sustainability. A much stronger commitment from the broad business community, together with decisive government action including a mix of regulation, tax incentives and pricing tools such as emissions trading schemes is needed to fuel the transformation to sustainable business organizations.
References


McDonough, W. and Braungart, M. 2002, Cradle to Cradle; Remaking the Way We Make Things, North Point Press.


