



# Small Business Community Impact

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peak b

peak b is the campaigning organisation for small business. peak b runs national campaigns to work with, support and engage with small businesses across the UK. With deep knowledge and access into the small business sector, peak b are the acknowledged experts into all things small. If you want to understand, engage with or help to support the UK's 5.7 million small businesses, then do get in touch at [hello@peakb.uk](mailto:hello@peakb.uk)

# Foreword

Small businesses are the beating heart of communities. You would be hard pressed to read an article, hear a speech or review a report without coming across the words “lifeblood of the economy”. I do not believe that this really gets to the heart of the total value small businesses provide, a value with substantially more impact.

This report is by no means a comprehensive review, but it is a starting point to define the broad, holistic, far-reaching ways that small businesses impact communities. There has to date been very little research on this topic, as the focus tends to be on economic impacts or employment statistics, as these are much easier to measure and track. By just focusing on these factors, we miss the incredible value and pivotal role these businesses play over and above that. Indeed, over the course of this research it has become clear that small businesses are already playing a significant role in social change, in solving community issues, and with more targeted support can be a real agent for addressing many issues facing the UK at present and in the future.

“Small businesses are not ‘little big firms’ and, as such, warrant attention and understanding in terms of social responsibility orientations that enable the identification of distinctions from the large firm perspective”

(Aragon and Iturrioz 2016; Tilley 2000). (p3) – Soundararajan, V., Jamali, D., and Spence, L. (2017) Small Business Social Responsibility: A critical multi-level review, synthesis and research agenda. In International Journal of Management Reviews

At peak b, this is right at the heart of what we do and what we stand for. What underpinned the drive to conduct this research was a sense that the intangible things small businesses do for communities, both locally and nationally, are hard to pin down and therefore often under recognised. We believe that in order to have influence, firstly impact needs to be acknowledged. The goal of this report is to start the process of uncovering and celebrating that intangible value of small businesses, understand what drives it, and the benefits coming from it. From here springs opportunities for recognition, for replicating elsewhere in communities that need a boost, and rewarding positive behaviour through government and the private sector.

We look forward to opportunities to celebrate these insights and working with the small business sector to better celebrate the phenomenal contribution they make and the myriad ways they make it.



Michelle Ovens MBE  
Director, peak b



“...the impact of SMEs is not purely economic; the contribution of SMEs to the wider community can be about a lot more than jobs and wealth. Similarly, it is more than the mere economic environment that can affect the decisions and success of small businesses. ... However, it is important to recognise that they have a role which extends beyond this, but is much harder to quantify. Many interviewees pointed to three functions of SMEs in particular: innovation, the economic resilience resulting from sector diversification, and community cohesion.”

(Nesta, 2017:21) - Nesta (2017). The State of Small Business: Putting UK Entrepreneurs on the Map



We are proud to continue Indeed’s support for the small business community by partnering on this important piece of research. The impressive contributions clearly signal that the impact of small firms should not be measured solely in economic terms.

Small businesses are both agents for social change and opportunity creators. The significant role this large community plays in the UK in terms of hiring diverse talent within communities and fostering inclusive working environments should not be underestimated.

When creating job opportunities, thousands of small businesses are embedding creative and flexible working options into their roles, in many cases delivering the opportunity for employees to carry out meaningful, purpose-driven work.

We hope this is just the start of continued recognition for small businesses across the country.

Bill Richards  
UK Managing Director, Indeed



TSB is proud to support peak b’s research looking at the impact small businesses up and down the UK have on the well-being of the local communities in which they operate. The report clearly highlights the importance of these businesses to the wider economic, social and environmental health of these communities. We’ve always been inspired by the capacity of small businesses to ride the economic waves, create jobs and serve local communities.

Small businesses are the driving force of the UK economy, employing millions of people and generating billions of pounds in turnover. It’s really encouraging therefore to see that despite the challenges facing small business owners, these entrepreneurs continue to engage and invest heavily not only in their communities, but also in the people who make up these local communities. Real, everyday examples of ‘people helping people’!

Our own business is full of thousands of local people serving small local businesses and communities right across Britain. We want to continue to help connect, inspire and drive local engagement so that small businesses receive the support and recognition they really deserve.



Richard Davies  
Commercial Banking Director, SME Banking TSB

# Executive Summary

“Based on an exploratory study of the approaches, motivations and barriers to engage in Small Business Social Responsibility activities, Campin et al. (2013) found that small business owner-managers have a natural affinity to supporting local communities. Driven by the vision of ‘doing good’, they more often adopt philanthropic and social entrepreneurship approaches to doing business.”

(p8) – Soundararajan, V., Jamali, D., and Spence, L. (2017) Small Business Social Responsibility: A critical multi-level review, synthesis and research agenda. In International Journal of Management Reviews

Although small businesses are wildly varied in shape, size, age, and location, when they engage with their communities, there are striking similarities. Most small businesses actively and consciously support community organisations, charities and local groups. This is not broadly impacted by size, location of business or sector. There is something in the nature of a “small” business that leads to strong community links. Often businesses will talk about the personal nature of those relationships, and the close involvement of the owner-manager in a small business to the activities of the firm lead to a much stronger sense of community spirit. Civic responsibility reaches a peak once micro-businesses start to employ even just a couple of staff.

This sense of responsibility to the community comes naturally to the businesses, who generally do not expect or want recognition, and also offers opportunities for government, big businesses and other institutions looking to impact the community for the better. In return, small businesses can benefit from greater and more tangible credit for their contribution.

The small business community is a natural access point into a local or regional society for new people or initiatives, and this is demonstrated time and time again by groups such as refugees, ex-offenders, or other previously excluded groups such as the long-term unemployed or those with disabilities. There is an opportunity to utilise the small business community to address issues of social change in a manner that will be welcomed by the community because of the

affection and connection they have with their local businesses. Rather than turning to traditional routes of welfare, NHS, social care or developing large-scale programmes, both government and other institutions can and should turn to the small business sector to play a role.

There is a clear gap in the sector for a better process of recognition for the value small businesses bring. With the natural disinclination to step forward for praise coupled with the lack of communication channels, teams and expertise, there is much being done around the UK that is not recognised or rewarded. In order to raise the profile and impact of the sector, a mechanism for recognition is required.

This greater engagement is not about burdening small businesses, but embracing their natural behaviour and encouraging, and rewarding, the positive impacts that they have. Most small businesses will tell you that they are already over-burdened with challenges, such as managing cash flow, business rates, local issues such as high street parking, digital accounts, mandatory pensions, minimum wage and more. Despite this, the same small businesses are stepping forward to give young people a break, or to offer a placement to a disabled worker. They may be struggling for cash-flow and losing sleep over their employees, but they are still turning up to volunteer at the local hospital or school, and they are still mentoring other businesses on their way up.

“While small businesses may be deprived in terms of resources such as financial and human capital, they have more relational network capital than large ones. The research shows that firms that are more networked effectively overcome financial, knowledge and human resource constraints (Hoang and Antoncic 2003), are more embedded in a community and have better relationships with employees and other stakeholders than their large counterparts. This enables them to gain a better understanding of their stakeholders’ expectations. Further, their flexible management style, informal organizational structure, relationship orientation and less hierarchical and more entrepreneurial nature enable them to be more experimental and innovative in terms of engaging genuinely – and not just symbolically, like most large firms – in social responsibility (Wickert et al. 2016). In addition, through their effective stakeholder engagement, small businesses also create an impact that is proportionally greater than that of large ones.”

Soundararajan, V., Jamali, D., and Spence, L. (2017) Small Business Social Responsibility: A critical multi-level review, synthesis and research agenda. In International Journal of Management Reviews

“Profit is not a dirty word! But the effect of the community [on my small business] has been huge – without its support the business would fail. It’s very easy as you start to get bigger within a community to be an organisation, but you need to remember to be a movement not just an organisation. And this is reflected in our mission statement. Communities need small businesses, and vice-versa.”

Alister Clark Tillycroy Support Services, How connected businesses are with their communities



Over the following pages the report will explore the five key themes coming out of this research:

**1 Small business as an agent for change** Small businesses act as an agent to change communities, often unconsciously, and create significant social value. This is an opportunity to drive more social impact via the small business community by embracing the collective influence they have.

**2 Opportunity creation** Small businesses are creating opportunities for their own sake not merely (or often even) for profitable gain, leading to a huge engine for creation. This creation should be rewarded to stimulate further benefits to society

**3 Formal recognition** There is a lack of recognition of the work and contribution small businesses make, which misses both opportunities for further stimulation and wisdom to be put to good use in struggling communities. There is an opportunity for a more formal recognition mechanism.

**4 Small business is personal** The close personal connection between the owner manager, staff and community lead to strong positive community outcomes that are driven by personal relationships. This is not easily replicable in larger firms, offering an opportunity for small businesses to play a unique role in the market

**5 The Sparks** It just takes one or two key individuals in a community to drive strong small business connections and community outcomes. Understanding this offers the prospect of creating and stimulating more sparks to deliver low cost impactful outcomes

### Research Methodology

The research included a broad literature review, online survey of 1,070 businesses as well as one to one interviews with 80 small businesses and experts from around the UK.

# Research Findings

# 90%

## of small businesses believe small business have a role to play in supporting community organisations

Despite a number of factors that make this challenging (cost, time), 76.8% do support community organisations anyway

# Small businesses are about far more than profit

61.6%



Only 61.6% of small businesses state their ambition is to make profit

43.43% wish to support their community in some way and 45.76% want to establish connections and relationships. Small businesses are about far more than profit.

30.7%



This sense of responsibility to the community is reflected in recruitment

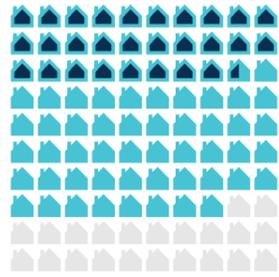
30.7% recruit staff via contacts in the local community rather than online or through agencies.

36.6%



This focus on community over profit is seen again in staff retention

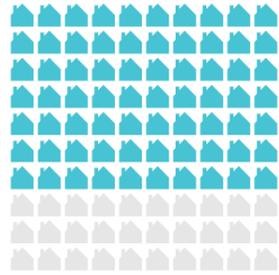
36.6% have kept on a member of staff when they didn't commercially need them any more, and 35.5% would consider doing this in the future. 37.5% say this is driven by a sense of responsibility.



Small businesses play a key role in creating training opportunities

28.6%  
78%

78% of small businesses create training opportunities for their staff, with 28.6% creating training opportunities for the wider community as well.



A focus on people and their needs

70%

This is seen through flexible working opportunities, offered by 70% of small businesses.



They are supporting:

- Charities (74%)
- Schools (43%)
- Special interest groups (33%)
- Sports clubs (13%)
- The homeless (12%)
- Food banks (11%)

Aside from donations and time, small businesses crucially contribute (42.7%) their skills and advice to their communities.

This is not a one-off - over 44% are doing this on a regular basis.

Despite nearly 70% believing that this is a responsibility as a member of a local community, less than 5% of small businesses have a formal CSR policy.

They are just doing it anyway.

Small businesses are organising themselves around this with over 73% participating in local member organisations for small business.

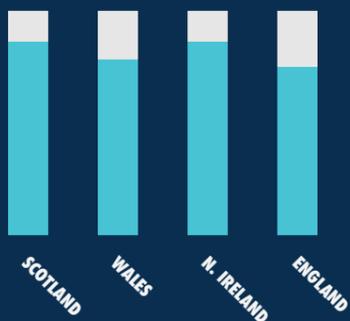
But across the board, external business support is not really reaching small businesses with over 74% still turning to friends and family for help, 72% turning to other small businesses (peers)

< 2%

Less than 2% turn to Government for support

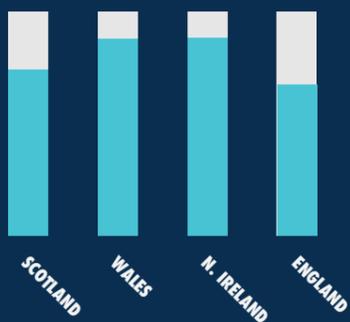
Across the UK, small businesses support local community organisations and charities

86.14% 78.43% 86.36% 75.17%



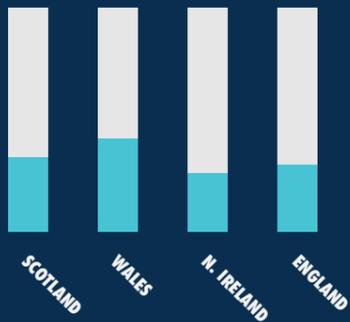
Across the UK, small businesses provide flexible working

74.0% 87.9% 88.2% 67.6%



Across the UK, small businesses provide opportunities for disadvantaged groups

33.3% 41.5% 26.3% 30.0%



How small businesses connect with local institutions



**RURAL**

78.6% are part of a business group • 19% work with local government  
16.7% work with LEP



**VILLAGE**

66.7% are part of a business group • 15% work with local government  
9% work with LEP



**SMALL TOWN**

76% are part of a business group • 14.2% work with local government  
8.7% work with LEP



**LARGE TOWN**

70.7% are part of a business group • 14.6% work with local government  
15.9% work with LEP



**CITY**

72% are part of a business group • 13% work with local government  
11.2% work with LEP



**METROPOLIS**

72.7% are part of a business group • 9% work with local government  
18.2% work with LEP  
(small sample set)

# Small Business as an Agent for Change

Small businesses are, and can be in the future, a conduit for social change. Benefits to communities can be delivered through the vehicle of the small business. This change may be integrating people from other cultures, increasing support for mental health, supporting the disabled, re-integrating people that have fallen out of the community for some reason or one of many more positive changes.

In the past small businesses have been seen as the recipient of change, be that social, cultural or regulatory. What has become clear through this research is that they can also be the agent for change, and can, through their sense of civic responsibility, be driving that change too.

The Institute for Public Policy report from 2014 on social mobility [Small Firms, Giant Leaps] outlines how small businesses play a huge role in providing opportunities to the community:

*"SMEs have played a disproportionate role in supporting individuals from worklessness into employment. Between 2008 and 2011, 88 per cent of individuals moving from unemployment into employment, and 95 per cent of individuals moving from inactivity into employment found work in either an SME or self-employment. In addition, a greater share of workers in SMEs and self-employment come from groups that face labour market disadvantage, such as the disabled, younger and older workers and those with low levels of educational attainment. This has been linked to the greater informality of employment in SMEs – in contrast to the more uniform recruitment processes in place at larger firms, SMEs are more likely to employ someone who has less experience of work and fewer formalised skills."*

The Institute for Public Policy (2014), Small Firms, Giant Leaps

It is clear that there are multiple ways into communities using the small business route: both being hired by a small business with a flexible human resources approach, and setting up your own business as a form of community ice-breaker.

The Centre for Entrepreneurs has data (for example, "From inmates to entrepreneurs: How prison entrepreneurship can break the cycle of reoffending", May 2016) suggesting that small businesses provide an entrance point to communities for refugees, economic migrants, and ex-offenders. Where big companies tend to have complex hiring processes, and human resource policies that would filter out these groups, small businesses tend not to have strict processes, giving them the flexibility to recruit across a range of backgrounds and give people a chance if they can. Additionally, while hiring processes can be daunting for these groups, starting your own small business can offer a more welcoming route.

*"Unlike traditional employment, entrepreneurship does not discriminate on the basis of a criminal record, enabling ex-prisoners to pursue the opportunities best suited to their skillsets, attributes and interests while offering them a more flexible environment in which to reintegrate with society."*

The Centre for Entrepreneurs

Communities have structures already in place to embrace new businesses in the location, such as business organisations. Over 73% of small businesses are involved with local business organisations in some way, plus involvement with high street teams and engagement with local supply chains. New people into the region can integrate more rapidly and successfully through the small business infrastructure than without it. The organisation of small businesses into formal and informal organisations for networking and support also means that there are readily available structures for external organisations to engage with the local small business eco-system.



*"My local Chamber of Commerce contacted me on LinkedIn and initially I assumed joining would only be beneficial for larger businesses, however it has been brilliant. I am a member of West Cheshire and North Wales and they host a fantastic start-up group open to businesses less than two years, I was able to attend and now also give back by speaking at the group which means that I continue to meet small businesses who need support. It's a real win-win situation."*

Michelle Collins, Pink Spaghetti PA Services Chester and North Wales, getting involved with local business groups

## Lowering the Kerb for Mental Health

Lowering the kerbs benefits everyone in the end. People with mental health problems and other disadvantages often find applying for a job, attending interviews and other formal procedures onerous. Things can be so difficult that they become physically ill and don't turn up.

Small businesses are a major source of employment for disabled and disadvantaged people. Lots of small businesses are created to provide a legacy or sustainable employment for a loved one. Small businesses literally lower the 'psychological and emotional kerb' for these people. Big businesses and government can learn from this.

By lowering the kerbs on our streets physically disabled people become more independent and don't need to rely on anyone to get about. Low kerbs also make life easier for people with mobility difficulties, parents with kids in buggies etc. Small businesses lower the psychological kerbs by being flexible in employing people e.g giving people the chance to do a work trial before (or in preference) to formal test or interviews. They are adept at adapting things, making it easier for those who struggle.

Small businesses already lower the kerb because they have the flexibility to do so and care about their communities - now we need everyone else to as well.

Ronnie Wilson MBE, Chief Executive of First Step Trust / SMART



Recognising the role that the structure of small businesses and their relationship with communities has opens up opportunities to influence communities for the better. When looking for solutions to challenges - such as increasing support for young unemployed, increasing mental health support provision - rather than taking the traditional route of healthcare, social care or welfare, small business and entrepreneurship can be both a tool and a channel to address these issues.

Areas mentioned by small businesses where they are already acting as an agent for social change and could do in the future include:

- Mental health support
- Opportunities for the disabled
- Employment for the long term unemployed
- Opportunities for new or returning people into the workplace, e.g. refugees, ex-offenders, ex-military
- Hiring young people
- Support for charities
- Support for schools

"A local group for young adults with learning difficulties approached me to see if I could provide some work experience placements for them. I offer a training programme in customer service experience. After working in the café down the road they can get experience working in a different environment. It is the next step up for them: different tills, different environment, stock taking, etc. One of the students I had is now in paid employment. It feels good to help. I have a brother with learning difficulties, so it doesn't scare me. I'm just helping because I'm a part of the Brighton community. It's almost a responsibility."

Hannah James, Founder of The Pet Shed, Brighton

Recognising small businesses as an opportunity to partner with to address these issues offers significant new routes to solve social challenges. This is an opportunity for government, for local institutions, for charities and for big corporates to engage and learn.

In towns where this has been acknowledged and leveraged, such as Frome in Somerset, big improvements have been seen for the better. This offers a blueprint for other communities and a proof point of what can be done.



"The value of smaller businesses in employing those furthest from the labour market is even more important with Brexit on the horizon and a possible diminution in the supply of EU labour. Given the fact that we are close to full employment, it is incumbent on Government to look at how to increase the overall size of the labour market by supporting labour market disadvantaged groups to find appropriate and meaningful employment. Smaller businesses have an absolutely critical role to play in achieving this. That is why we are calling on Government to support smaller businesses as employers, by introducing a National Insurance holiday when they take on staff from those groups that are furthest from the labour market - including people with disabilities."

Sonali Parekh, Head of Policy, FSB

In the Somerset town of Frome, tech savvy entrepreneurs created SHARE, an online tool-sharing service. SHARE state that an average drill is only used for 13 minutes in its entire lifetime with a single owner, so this sharing platform saves its users lost time, money and storage space. It has been just one part of Frome's transformation, a town that needed a boost after the financial crisis when two-thirds of the employees at Butler and Tanner - one of the area's main sources of jobs - were made redundant. Shortly after, A Vision For Frome 2008-2028 was launched as a strategic partnership by the local district council. Ten years in, Frome now holds a reputation as one of Britain's coolest places to live thanks to its artisan quarter and vibrant arts scene. Local government has played its part in the vision, as have members of the community with further initiatives such as the 'Compassionate Frome' project. Set-up in 2013 to combat loneliness in the town, emergency hospital admissions were reduced by 17 per cent over three years thanks to one GP's entrepreneurial spirit.

Case study in Frome, Somerset

## OPPORTUNITIES

For small business

- Leverage opportunities to engage with local and national institutions to get better recognition for current social impact initiatives
- Work with local and national institutions to explore ways to deliver further social impact in the future

For central government

- Multiple department opportunity to explore ways to work with the small business sector to deliver social change in a cost effective and highly impactful way

For local government

- Explore opportunities to work with the small business sector to deliver on local targets, such as reducing unemployment, increasing mental health support provision and other local issues, potentially using small business organisations such as FSB

## 2

## Opportunity Creation

The process of creation is right at the heart of the small business experience. Small businesses create ideas, jobs, training, new products, new ways of working and much much more. This process of creation is driven by a huge range of factors and often not with a financial goal in mind. It is often the result of necessity – with limited resources, small businesses need to be creative in their approach – and external factors, such as a local urgent need.

Many small businesses put opportunity creation above financial performance as their ambitions for their business. In fact, only 61.6% of small businesses surveyed said generating profit was an ambition for the business. In contrast to this, 43.4% said they wanted to support their community in some way, while 45.8% aimed to establish connections and relationships.



“Running a business can’t be just about money. Businesses are about so much more than that. As an example one of our lovely members employs a lady who only has three years to retirement and they would never get rid of her. She is part of the family. This is a good thing. This sort of thing is often touted as bad by those looking at UK wide statistics, but on the ground the benefits outweigh the detriments. Businesses in rural areas all start with good will and optimism. We need to capture that – it is much more important than money.”

Anna Price, co-founder, The Rural Business Group

The small business relationship with communities means that they are actively creating opportunities for local people, not merely responding to business needs. When the community has a need, often the small business steps up due to a sense of civic responsibility. This can be in response to a call from local institutions or a response to something the business has noticed is required in the community itself due to the owner and staff’s personal connections.

This positive act of creation is not always easy to measure as it often does not come in the form of finance or economic gain. It can be in the form of employment or training, or in the form of low barriers for their staff to work differently.

61%

Only 61% of small businesses said generating profit is an ambition

Many (48.5%) small businesses have at some point created employment for an individual in order to give them an opportunity, over and above the business needs of the firm. Most (70%) also provide flexible working for their staff and even more significantly, often (36.6%) keep staff on past the point of economic need. These businesses are recognising that individuals in their community need support and they are stepping in to provide it. This is a characteristic particular to small businesses with a community engagement – keeping staff on when they are not required.

This often shows up in macro reporting as under-productive businesses, and can be seen as the long-tail of unproductivity in the UK’s economy. However this characterisation misses the huge benefit this activity can bring to local employment, stability in consumer spend and the mental health benefits brought to the staff and owners themselves.

“

“We have definitely kept people on when we couldn’t strictly afford them. We have had huge debt and credit cards but we work hard to keep people wherever we can. It just seems the right thing to do. People are looking for jobs and for job security. If we can’t pay everyone, then I make sure I pay everyone else and go without a salary myself.”

Jo Smedley, Red Herring Games

“How are we measuring productivity? If we measure the number of cars manufacturers, or amount of research, we won’t be looking at the overall impact of the individuals. I believe in the Power of Plenty – the microbusiness owners all coming together to support each other and cross trade with each other. We could be talking about 10 or 10,000; that gathering together will create a ripple effect to reach out into communities. There is a power in all of them coming together with the same belief.”

Tina Boden, The Tiny Troubleshooter

When further explored in one to one interviews, it becomes clear that hiring and firing decisions for small business are deeply connected to the community. Small businesses can see at close hand what the community needs, such as young people needing a first opportunity, those with mental health issues needing an environment to support them, and step in to provide this. Small businesses tend to recognise up close the beneficial impact it has on the individual going from joblessness to employment, and the mental health benefits of having purpose to your working day.



”

"An employee was a friend first, and she needs the money. I don't actually need to employ her to be honest, but I'm able to be flexible – I have the ability and capacity to take her on; plus it makes my life easier."

Small business owner, South East

"My husband and I are full time, and we have one person for 3 days per week. We hire local people, mostly through word of mouth. There is a Visit Scotland theme of young people to address the drain of young people from the Western Isles and we are trying to get involved with that. We want to work with school leavers and run workshops for communities, especially during winter when it's quiet because there is no tourism."

Kate Blake, Hebridean Design Co

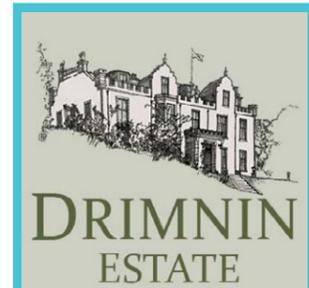
Increasingly we are seeing businesses focusing on purpose over profit, and this is resonating well with customers. This is hard for big businesses to re-create and the small business engagement with purpose can in time be a commercial advantage.

"In today's business world, mission matters.... today's business world has become a battleground: for attention, preference and ideas. A battle for the mind in which companies must seek purpose as well as profit. In this attention economy, breaking through is everything: the ability to connect with the consumer, the employee and the shareholder. Central to mission is the rise of a new commercial currency: belief. It is a bond of trust with the consumer and marketplace that transcends the cynicism that so many have towards brand messages and advertising."

From book "Mission" by Nick Giles and Michael Hayman, co-founders of Seven Hills



Schemes like the Visit Scotland young people scheme are often addressed by small businesses as they see the direct positive results of keeping young people in the community. The businesses understand the need to create opportunities for their own sake even if the business does not strictly need them.



"We have a mixed estate on the west coast of Scotland, just north of the Isle of Mull. We have around 7000 acres in total, which we use for forestry, a livestock farm and deer. We have three holiday cottages, we let the main house, we have a small distillery where a tenant makes a single malt whiskey (and the waste from this is used on the farm / for cattle feed) which is fuelled by woodchip (which is 100% renewable). We are diverse, but well integrated. We have two guest bed and breakfasts and a small bar. We have had the business for 16 years, since we acquired the property in 2002. When we took the estate on it was very run down – the main house was verging on uninhabitable – and only two other habitable properties. The estate was pretty moribund. But now we have eight other properties. The community was similarly so: the full-time resident population was tiny. Largely as a result of the investment into the estate, we have changed that. There were two full time jobs on the estate when we arrived, and there are now six full time plus people running the distillery. We have transformed the population mix, in terms of working age people. The majority of people previously were of retired age, but now people have moved into the area. The majority moved into the area for work, and others moved into the area and brought others with them too. There are now around thirty full-time residents, and there are more young people with children. There was also a village hall, which was barely used – and it is now active several nights a week. We also restored the old estate chapel. There is quite a vibrant community now. It is a combination of creating employment and economic activity. Where possible we recruit locally, and we bring new people into the community. It is a very remote community, so we make sure that the people who come here are well adapted to living in such a place. We provide housing and the two communities (the estate community, and the village community) work alongside each other well."

Creating Jobs in Scotland: Derek Lewis, Drimnin Estate, Near Isle of Mull, Scotland

## OPPORTUNITIES

For small business

- Look for opportunities to share and promote where the business is creating opportunities in media and with local institutions
- Leverage advantage of being a small business over a big business in opportunity creation to attract staff and customers

For central government

- Recognition of the contribution of small businesses not currently part of the Productivity assessment
- Explore opportunities for financial support of this creation of opportunities, e.g. National Insurance or tax incentives for job and training creation

For local government

- Regional recognition of the role played by small businesses in communities
- Replicate the Visit Scotland call out to businesses to recruit young people as a model for engaging communities in other job and training drives across the UK

## Formal Recognition

In order for the value delivered by small businesses to be understood, celebrated, encouraged, and replicated where needed, it first needs to be recognised. A combination of not wanting to be seen as bragging and unconsciousness about the value they bring often leads to small businesses not getting the recognition they deserve. It also leads to a lack of understanding of just how important these businesses are in thriving local communities.

Due to their size, lack of PR teams and at times unwillingness to “blow their own trumpet”, small businesses can be a largely invisible force in communities. Although this can be addressed to some degree by social media and better web presence, there is still a huge gap between what is delivered and what is recognised.

Although 76.8% of small businesses are consciously supporting their communities, only 5% have a formal CSR policy. In contrast to large firms, small businesses are walking the walk, but not talking the talk.

“Resource dependence - “Nisim and Benjamin (2008) argued that the resource dependence of small businesses constrains them from engaging in grandiose SBSR activities; thus, most of their SBSR activities are small, subtle and invisible, often being embedded into everyday practices.” (p8)”

Soundararajan, V., Jamali, D., and Spence, L. (2017) Small Business Social Responsibility: A critical multi-level review, synthesis and research agenda. In *International Journal of Management Reviews*

Small businesses are largely reticent to ask for praise and often feel that it diminishes their contribution if they ask for recognition. New mechanisms are required to recognise, celebrate and communicate the different ways small businesses are contributing.

Highly visible small businesses on high streets tend to be the outsider’s view of the community, whereas there are millions of small businesses contributing in ways that are less recognised.

# 3

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“We develop a conceptual model that explains differences in CSR talk versus walk based on organizational cost and firm size. This allows us to theorize the antecedents of what we call the large firm implementation gap (large firms tend to focus on communicating CSR symbolically but do less to implement it into their core structures and procedures) and vice versa the small firm communication gap (less active communication and more emphasis on implementation).”

Wickert (2016) *Walking and Talking Corporate Social Responsibility: Implications of Firm Size and Organizational Cost*

“In the village where I live, the ‘high street’ has a thriving business community - all are small business except the Sainsbury’s / Co-op. They’re all micro-businesses and the people that run them really care. They all know each other and these small businesses like those on the high street really impact on the non-business community. But it’s businesses like mine (b2b businesses) that enable businesses like theirs to thrive - it’s just that this is less apparent to other people. We need to improve the visibility of the value added from the “behind-the-scenes” businesses and those businesses that don’t necessarily employ many people, even if the impact may be less apparent or direct than the people with independent shops and cafes in a village (which really clearly impact the community).”

Ruth Pringle, Pringle Accountants



“Recognition for this value small businesses bring is similar to when you walk into a butchers and see a certificate stating they are health and safety certified. The health and safety certification is understood by everyone and doesn’t feel niche, so something similar for community value could work. There is something about badges - we have a bronze badge because we employ X number of people, or the tax we pay supports this many. When you have a critical mass of people with these, maybe 20,000 people, then this is a lobby-able entity. Maybe it could be a new kite mark for businesses.”

George Bevis, founder, Tide Banking

There may be opportunities for new “kite marks” or certifications for small businesses that create a standard that can be well understood across communities and sectors. Businesses stated this format would be more comfortable for them than creating an individual way of showcasing their activities.

The creation of new platforms, such as Work For Good, is helping to bridge the gap between businesses that are doing good and the ability and willingness to claim credit for that “good”. Having a recognised logo or “badge” creates a language that small businesses are comfortable with. The platform also helps to promote that good to a wider audience whilst giving businesses inspiration for further activities.



“There is a terribly British idea of doing good and not taking credit for it. What we do is encourage and facilitate business taking a more structured approach to giving and linking donations to what they do. This is great for business as it engages stakeholders, customers and staff. The meta-trend of purpose in business is not going anywhere and we enable businesses to give visibly and then talk about it with pride and authenticity. We have created the Work For Good logo as an accreditation with the idea of recognising those businesses that are doing good things in their communities. We encourage the use of social media, business website and other channels as greater visibility is a big part of it. We encourage small businesses to “tell your giving story”. One example is a great restaurant we work with and the founder likes giving back. Now he can visibly give back with his charity table. The profits from that table go to a charity of the customer’s choice. We encourage businesses to “Do well by doing good” - as well as helping communities, it is smart business too.”

Danny Witter interview; Work For Good

There have been a number of activities in this area, such as Business in the Community's Trading for Good platform<sup>1</sup>. Originally founded by Kay Allen OBE, the platform states "Britain's small businesses do a huge amount of good every day that often goes unseen... We want to shine a spotlight on how amazing businesses help create healthy communities every day." Trading for Good encourages small businesses to shout about the good work they do and share their stories.

More information is required to come out of the small business sector in order to better recognise its contribution. Further research focused on the contribution outside profits and employment will help to bridge this gap.



"Do I think there's more to be done to represent the small business collective in Britain? Absolutely! What's required is more research and data on the contribution they make and then presenting this in a constructive way. To get recognition for small business within government requires a cabal of people who understand the sector."

Emma Jones MBE, Founder of Enterprise Nation and the Small Business Task Force

### OPPORTUNITIES

- For small business { Use existing platforms to get greater recognition of the good works done by the business in local communities
- For small business { Work with local organisations to develop better ways of formal recognition
- For central government { Develop national measure, award or certification for small businesses delivering social impact in their communities
- For local government { Develop more local mechanisms to recognise small businesses delivering social impact in their communities

<sup>1</sup> [www.tradingforgood.co.uk](http://www.tradingforgood.co.uk)

# 4

## Small Business is Personal

The personal connection of the owner-manager to the small business creates a distinctive dynamic. The founder, owner or company director feels personally invested in and connected to the business and brings their personal "community" connection into that business as a result.

This close relationship leads to distinctive decision making within a small business that is not seen in larger businesses, and offers an opportunity for community engagement and impact.

Overwhelmingly (89.9%), small businesses believe that they have a role to play in supporting local community organisations, and despite the many reasons they give that makes this role challenging, most (76.8%) deliver on that belief. When interviewed, small businesses uniformly state that this is a personal decision based on a personal connection to the business and the community.

This personal tie leads to significant behaviours that can benefit the community. In particular, local charities and schools benefit hugely from small business time and funding. When asked which local organisations they supported, nearly three quarters (73.7%) support local charities and close to half (43%) support their local schools.



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"Everyone in a small business does something somewhere personally in their own time, as scout leader or maybe a football coach, or in the local business community to bring new energy to a town. There are lots of businesses that actually want to help others develop and grow. It is also in their interest to make connections as it benefits them commercially."

Simon Cox, Small Business Champion, Kettering

This behaviour is driven by dynamics such as a close family tie to a charity or a child attending a local school. This translates into business support for these institutions. In fact 43% of businesses use their business skills to support these organisations, bringing knowledge and improving these community institutions.

"I hire local people because they are more reliable and have a good local knowledge. They will recommend other small businesses when a customer comes in asking for a place to eat for example. For small businesses, it is easier than for big businesses to offer employment to people who are struggling to get a job elsewhere. You get a personal relationship with the staff more than a big business and they then value the job more because you've given them a chance."

Miki Christi, Extreme Largeness, retailer, Manchester

Customer's also sense this and value it in these organisations. Increasingly customers want to know something personal about the business they are buying from, and the responsible behaviour of that business plays an increasingly important part in the buying decision. Small businesses arguably have an advantage over big businesses in this as their actions are much more readily visible to the customer, and their social responsibility more tangible. The result is that this community responsibility has financial as well as cultural benefits that can be further developed.

The personal engagement with the business leads to many tangible outcomes for the business, including community support, flexible hiring and working, a closer relationship with employees leading to retention even in times of difficulty, and a sharper focus on relationships, often at the expense of finance.

Small businesses can be more flexible as there is little oversight on activities, with no shareholders or board to get sign off from. The results of these are:

- New ways of working
- Innovation in process and product
- Openness to change

These are key drivers in the small business decision to:

- Support community activity
- Hire with more diversity
- Create new opportunities
- Retain staff in a crisis
- Respond to community social needs, such as training, employment or engagement

It can be discussed whether this is always a positive thing, and a number of interviews touched on the downside for businesses who will not reduce headcount even when the business is struggling, potentially leading to business failure. This is also a key element in firms being deemed "unproductive" as they therefore can seem heavy on staff for their sector or output. There is arguably a further definition of productivity that takes into account the benefits of this small business behaviour to society in exchange for more traditional measures of productivity.

Overall, the positive impacts of the small business personal relationship with their community and other businesses are seen to out-weigh the negatives by the small businesses themselves. Some see the business relationships in communities as more H2H than B2B (human to human rather than business to business). This human nature of the small business is hard to replicate in a big business, and continues to offer opportunities for positive small business engagement for government and other institutions.

## OPPORTUNITIES

For small business { Leverage the local relationships to drive customer and staff loyalty to the business and competitive advantage over big businesses

For central government { Recognition of the value delivered by small businesses in the definition of "productivity" and how it is measured

For local government { Engagement with business owners in a personal capacity in order to engage businesses in community impacts

## 5

## The "Sparks"

In all communities, regardless of size, there is generally one or two bright "Sparks" who motivate, connect, convene and inspire the small business community in order to bring them together. These individuals make a disproportionate impact than their number would suggest and their influence ripples out into the community.

The key thing to note here is that it can take just one key person to make a huge local impact. Rather than communities needing large, extensive programmes in order to make a difference, just one individual, one Spark, can deliver significant change.

These Sparks are connectors, engagers and energisers. They tend to see opportunities and make the most of them. They learn from other businesses, support and mentor, and understand how to bring people and varying "elements" of a community together in a meaningful and sustainable way.

We have seen examples of these Sparks across the UK in communities large and small, rural and urban, and with a variety of backgrounds. They may work in a local institution, e.g. the local council, LEP, member organisation, such as FSB or a local chamber of commerce, or they may be a small business owner who naturally has fallen into that role.

The absence of a spark in a community can lead to failing programmes, low morale and less engagement with community activities. This can be addressed however by searching out those potential sparks or bringing them in from other communities.



"Sister Snog (a tribe of Sparks) has morphed over the years. Our growth has been fuelled by the positive impact we've made on so many remarkable women who are making an indelible mark on the business landscape and their communities. Looking to the future, our aim is to harness the wisdom within Sister Snog and introduce ways for a Sister of the Present to inspire, guide and mentor a Sister of the Future (between 18-25) who has started a business and would totally benefit from direct access to someone who has walked the path before them. I see this as the #hot100 of today mentoring the next generation #hot100 of tomorrow. Sisters have a bank wisdom that's made for sharing, as we've all had a few more rides on the entrepreneurial rollercoaster!"

Hela Wozniak-Kay, co-founder of Sister Snog, female founders membership club

There is a huge value generated by these local change-makers who play a connecting and coordinating role. They can bring issues to the attention of the small business community, they can mobilise the small business community to act together for a common cause, and they can ensure that members of the community receive the support and encouragement they need from their peers.

These local activists, or Sparks, are usually locals with strong ties to the community. They can however be seen by external organisations as agents of local change as engaging with these individuals can be a way of delivering huge value to that community. In areas where no Spark is evident, work can be done to encourage and support local community activists to take a lead, learning from those cases of excellence in other regions. Recognition for Sparks (see previous section) can make a huge impact and encourage more to come forward. This can bring significant value to a small business community without significant investment.



"The role of a community activist can not be understated. Having an identifiable community leader who can rally people locally is critical in engaging a community. In the start up space many a time that is a business owner or consultant interested in the space. For example, In the South West area you would go to Alison Edgar of Sales Coaching Solutions."

Matt Smith, Founder and Director of The Centre for Entrepreneurs



Having grown up and lived in the area all his life, founder and local Spark John Merriman feels a personal connection to the community, which has led to the business being involved in, and starting up, a number of community organisations. John now heads up the local Chamber of Commerce, founded local network "Love Morden" and campaigned to be a London Borough of Culture. John says, "Collectively, we're saying that we want our area to be better, and we really believe in it."

Crown Lane Studios, Morden, London

### OPPORTUNITIES

For small business

- Tap into local sparks to engage in more community wide activity
- Become a local spark and drive community impact through the small business community

For central government

- Recognition of the important role these local Sparks play in delivering change and local economic success

For local government

- Engagement with local Sparks to successfully and cost effectively deliver local programmes into wider communities



If you would like to know more about this research, or would like to get involved with future reports, please do get in touch. You can reach us at [hello@peakb.uk](mailto:hello@peakb.uk)

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