Small Business- Revitalizing Community Centered Business

Small businesses can produce success in very different ways compared to large corporations. One proposed way of success, is with partnerships with local nonprofits- a very effective tool for small businesses due to the close knit community corporations lack. Not only is this tool beneficial to small businesses, but also to their locality- with issues of poverty, education, and violence rising across America. Not much research has been done to assess small businesses, let alone the aspect of their community involvement. This is an issue because small businesses could be missing out on a vital form of business that could help both themselves, and their community. Community Social Responsibility (CSR) of small businesses is a viable tool that should be utilized to enhance business performance due to its positive effects on owners mental psyche, positive correlation with gross income, and ability to positively affect the community through communal partnerships.

Community Social Responsibility is defined as “describing the company’s interactions with nonprofits, such as corporate philanthropy (monetary giving, non monetary giving, and employee volunteering), transactional partnerships (sponsorships and cause related marketing), and social or strategic alliances (partnerships focused on societal issues rather than mutual benefits)” (Zatepilina-Monacell 218). CSR is what will be used to analyze and classify the correlations between small businesses and the community. This broad, but specific definition helps to answer- why should community involvement from small businesses be analyzed? The answer is simple: if the correlations are positive, small businesses can maximize profits, while giving back to their locality.

Another very relevant theoretical property that relates to this research, is the *enlightened self interest model*. This model suggest that “socially responsible actions by a community based firm will be reciprocated over time by support from loyal customers, employees, suppliers, and other stakeholders” (Niehm et. al 333). For the limitations of this paper, customers will be the focus. If this model holds true, then there will be a direct and positive correlation between the level of community involvement and business performance. The concept of *Social capital* reinforces this assertion, when it creates a personal tie between businesses and their communities. Niehm explains this concept well, stating “The intangible value created by relational ties between family businesses and the community...through trust, commitment, reciprocity, and a sense of shared vision” (Niehm et. al 333). Niehm capitalizes on an important factor to consider- do small businesses favor community investments to which they have a personal tie? Other important factors to be considered include business size, longevity, type of business operator, and responses from the nonprofit perspective.

NPO partnerships and community social responsibility, although unexplored, deserve recognition. The age of the small business is shrinking, but American’s desire to own their own businesses and be creative are not. Therefore, the discovery of a positive relationship between NPO involvement and community firms will give rise to a greater emphasis on this strategy to bring personal, morally focused plans for small business growth.

Psychological factors can play a very strong role in the success of a business. Just like anything else, confidence is key. If a business owner feels connected to their customer base and community, they will in turn feel assured that their business will do well. Community Social Responsibility (CSR) is a tactic that connects business owners to their communities, and in turn yields a positive outlook on being involved: which leads to good business. Through the enlightened self interest model (viewed from small businesses and community standpoint), perceptions of social capital, and perceived psychological sense of community, the mental effect CSR has on small business owners makes the venture worth it.

The enlightened self interest model plays a large role in regard to psychological perceptions of business performance. Believers of the enlightened self interest model agree that giving back equates to good business. According to Besser and Miller, "...businesses reporting the highest levels of community support and leadership are also those most likely to believe they are successful in business" (Besser and Miller 237). This quotation shows a clear correlation between CSR and a managers perception of success. Although this notion is internal, the belief that one is successful leads to the individual using this assurance to make positive changes in their business career. Litz and Samu also discovered these results. "Small firm performance is positively related to more diverse social involvement, thus providing some support for the enlightened self interest model" (Litz and Samu 658). Not only is CSR a plus for small businesses externally, but also internally. Maignan and Ferrell state "84 percent of managers regard the achievement of a responsible community image as important for business success and employee morale." (Maignan and Ferrell 470). Small businesses must value their employees more than large corporations due to the closeness of their relationship, and CSR can create an enhanced perceived confidence in employees.

The enlightened self interest model can also be viewed from the standpoint of the community members. According to Rumsey and White, nonprofits are morphing the way they approach partnerships with businesses, "We don't ever approach a company-I don't care who you are or what your reputation has been-we will never approach you without saying "We're asking for this from you, but in return this is what we're going to do for you" (Rumsey and White 302). This first hand point of view shows that community members and nonprofits are accepting of the fact that businesses want improvements in return for their time and money. Whether this is through advertising, personal recognition, or an increase in sales, the traditional method of philanthropic motives are being replaced with strategic motives on both sides of the partnership, which relates to the enlightened self interest model by showing an awareness on the side of the community and nonprofits involved that mentally, this should produce good business for both entities.

Social capital also allows for internal benefits from CSR to be present. If a business forms relational bonds with a nonprofit or their community as a whole, they are much more likely to form long lasting, profitable relationships for both the community and businesses. Zatepilina-Monacell discusses the importance of deep relationships by interviewing business owners on their selectiveness of giving. "If somebody walks in the door and I've never seen them as a customer and I don't recognize them, it's a long shot… It's hard for me to turn down a regular customer and someone I have developed a relationship with" (Zatepilina-Monacell 226). Small businesses are often much more limited when it comes to their budgets, which again emphasizes how important relationships are when considering community involvement. Social capital creates an incentive for businesses to want to give back, due to their close bonds with their localities. Psychological thoughts not only affect CSR in a positive way, but also in a negative way. Currently, businesses and the community alike do not feel as though they are getting the most out of their partnerships. Zatepilina-Monacell addresses this feeling, quoting

“76.9% of small businesses hear only from local NPO during fundraising campaigns” (Zatepilina-Monacell 228). This statistic leads to the assertion that community involvement is lower than it could be, due to the lack of feeling of participation. Businesses *want* to feel needed, and without that, business will not go out of their way to give back.

Thomas Glynn discusses PSC (Psychological Sense of Community) and how if affects an individual's satisfaction in their community. If a business or community member feels disconnected, they are not likely to contribute as much, if at all. “An important finding of this study is the potentially negative effect of a significant discrepancy between one’s actual and ideal sense of community” (Glynn 808). These findings support the claim that a feeling of connection to one’s population is extremely relevant to increase community support. Another piece of evidence shows a negative feeling about the current state of the sense of community among small businesses. Curran et. al assessed small business owners, and gained the response “Several talked of the long local history of firms, but also of decline as people retired and firms went out of business. This, they argued, meant the breakdown or disappearance of local business networks… they also often mentioned feeling neglected or abandoned by policy makers, nationally and locally” (Curran et. al 138). This conclusion could be the result of the decreased initiatives by the government to support small businesses.

It is challenging to be a small business today. 70% of small businesses will fail within 10 years (Pride et. al Ch 5-1a). Confidence in one’s community is of utmost importance with regard to success. Mental assessments of CSR from both small business owners, and nonprofits create a relevant piece of success with regard to business. The enlightened self interest model and social capital support the assertion that giving back is good for commerce, and that deep relationships only help this correlation. Not only is the mental effect of CSR positive for business owners and the community alike, but the gross income levels are also affected in a linear way.

Along with the positive mental effects CSR gives to small businesses and nonprofits, the positive effects with regard to income are an even greater asset. Since the foundation of small business is one's distinct locality, giving back to that group builds a foundation for success. Through the direct correlation between involvement and monetary success, particular aspects of the business which lend success, and solely positive outcome, CSR has a strong affirmative effect on a small business's monetary growth.

Community support and small business levels of income are directly correlated- which is undeniably a positive. Niehm. et al discuss correlation coefficients between business income and community support. "Multiple regression analyses yielded a significant relationship between the CSR dimension of community support and objective performance... and accounted for 11% of the overall variation in family business income" (Niehm et. al 343). This connection supports the claim that the inclusion of CSR by a small business breeds income growth. This in itself, makes the effort of CSR worth it. In fact, many small businesses may not even be using profit as their main initiative, as research discovered that many feel a moral obligation to go above what is required of them in their community. This leads to another assertion with regard to successful financial returns from CSR: being a successful business to begin with enhances the effects of CSR on a small business. Preston and O'Bannon discuss various hypotheses with regard to the order in which the relationship forms (finances lead to CSR, CSR leads to finances, etc). They conclude that "all of this evidence suggests that there is a positive association between social and financial performance in U.S. businesses…with the strongest support for hypothesis 3 (Higher levels of financial performance lead to higher levels of social performance)” (Preston and O’Bannon 426). This proves that the relationship between financial success and levels of CSR involvement are respective; more success in one, will lead to more success in the other. Small businesses may have the ability to choose where they start based on the current outlook of their business.

Differences in small businesses impact the success of CSR financial benefits. One of the most prevalent when it comes to CSR success is the longevity of the business in the community, due to the way customers value reputation and word of mouth. If a customer is given two small family diners to choose from, one being brand new-with no yelp reviews, and one being a local classic- with raving reviews, most people are more likely to support the business that has proven it can last, and proven it’s quality. This is an assumption based on the way social media marketing has influenced our society and choices when it comes to dining, service, and more. Businesses that have been in the community for *years* are more likely to assist in CSR and gain success from it because of their reputation, and because of their broad reach and understanding of the community. Business that have prevailed through time are also more likely to have the funds to invest into CSR, which will in turn be rewarded with higher levels of financial gains from the CSR displayed. Maignan and Ferrell offer another example of public knowledge influencing success with their poll about which dimensions of CSR impact a consumer's evaluation of a small business, with citizens responding “the evaluation of corporate citizenship is affected by the interaction between individual consumer characteristics and features of the corporate citizen communications” (Maignan and Ferrell 465). Corporate citizen communications is defined as the marketing techniques the small business has used to show their social responsibility. This shows that in order for a business to be viewed as socially responsible, and increase profits (some of the main goals of a partnership with NPOs), the public must be aware of the positive work being done.

With all of this evidence presented, one may ask: are there any downsides to pursuing CSR as a form of business enhancement? CSR is a solely positive endeavour, when done in the right levels. Preston and O'Bannon were also able to establish this in their research, saying "Out of 270 correlations computed, in both contemptuous and lead lag form, among the three social and financial performance indicators there is not a single significant negative result" (Preston and O'Bannon 426). CSR is not a critical choice: any small business can make positive changes to assist their community and gain reward in return. Small businesses, for this reason, must return to CSR in this time- when consumers value personal morals more than ever before. Although, small businesses must be careful not to overextend themselves when it comes to CSR. Doing too much community involvement may lead to a form of overextension, which draws attention away for daily variable costs such as traditional sales. Finding the perfect balance of CSR may be challenging, but with practice and time, a business can determine what style and amount of participation is most effective for them.

Both the positive mental and monetary rewards of a CSR relationship for small businesses have been established, and it is imperative to next establish how to best implement these findings for a successful partnership. In order for the partnership to be successful, both parties must feel as though they are gaining reciprocal benefits. Based on this assertion, the format of the communal model is most effective due to the downsides of other models, focus of mutual reciprocity, and moldability in the future.

Firstly, let's discuss the downsides of the first two types of partnerships- monetary and transactional, and how they affect the forms of giving in the partnership. In a monetary (patronizing) relationship, the sole method of giving is in currency; which although a form of giving, is not as effective at building a relationship as per say volunteering. Another characteristic of the patronizing relationship is that the small business is the independent party, and the nonprofit is the dependant party. This in itself shows why this form is not suitable for small businesses to utilize in the future- as the relationship is one sided, and does not allow for mutual growth- the goal of this paper. The second established form of CSR relationship is the exchange relationship. As said in the name, this relationship goes one step further than the monetary to create a mutually beneficial partnership. This is the goal of the thesis of this paper, and can even be taken one step further, into a level called a communal relationship.

The communal model of small business collaboration focuses on the ability of the small business and nonprofit or charity to go above and beyond monetary goals, or even a beneficial exchange. If this type of partnership is enacted, both parties focus on aligning their missions- a goal which allows for a connection far greater than surface level- and provides a basis for a long term relationship. The communal model also allows for protection from one provider in the relationship gaining much more than the other; which is an issue that has been expressed by some small business owners and their nonprofit counterparts The communal partnership assists in one of the main reasons small businesses enter a partnership- public perception.

Small businesses engage in CSR collaborations partly to gain a positive reputation in the community. As stated earlier in this paper, small businesses can be heavily impacted by the opinion of even one customer in their populace. "62.3% of small businesses expect to be perceived as socially responsible" (Zatepilina-Monacell 227). This high percentage points to the conclusion that small business do value the outlook from the work they put into the partnership as a priority. The communal relationship enhances this due to the fact that it facilitates long term partnerships, which in turn appears very sincere to the public when considering how socially responsible a business is. One question may be asked- if businesses care about their own reputations so much, are they being altruistic for personal gain only? To answer this question, we must look at the care that goes into forming these relationships. Small businesses are not selfish in their pursuit of partnerships due to the decisions regarding which NPO to support. According to Zatepilina-Monacell, 88.7% of small businesses choose their partner based on aligning personal values (Zatepilina-Monacell 227). This number in itself yields evidence that small businesses do put forethought into how they choose relationships. If a relationship was solely for personal gain, small businesses could easily choose an NPO with no correlation to their mission, which would in turn make the partnership not worth either parties time.

In regard to improving communal relationships for the future, addressing feelings towards the nonprofit organizations involved is very important. It is easy to put all the blame on small businesses when partnerships fail, but what if NPOs could improve on their end as well? NPOs need to allow small businesses to be more involved on a personal level to make partnerships flourish. For example, "76.9% of small businesses hear from local NPO *only* during fundraising campaigns" (Zatepilina-Monacell 228). This number is staggering- and makes it hard for small businesses to go beyond the monetary level of partnership. Another 25% of NPOs do not recognize small businesses for their contributions, which begs the question- why would small businesses continue to support them? Both ends of the partnership need improvement. Gallo states that “the second worst perceived responsibility is that corresponding to the professional and human development of the members of the community of people” (Gallo 142). This statistic is polled from business owners themselves- which emphasises the conclusion that small businesses know they can do better. A good proposition to improve this negative perception is to poll members of the community and non profits as to what issues they believe small businesses should focus on.

Although any form of giving is commendable from a small business, if that small business wants to gain success from their relationship, a communal form is the best for both parties. This concept allows for not only mutual success, but also a binding relationship that truly allows each partner to mold with the other.

CSR partnerships, as discussed, have both a positive mental, and monetary effect for small businesses and their owners- which in turn leads to more success overall for both parties. Unlike large corporations, small businesses have the ability to directly impact their customer base through community involvement- an aspect that is very important to engraving social values into our environments. As well as this, the most successful partnership small businesses can engage in is the communal partnership- one where a relationship is beneficial and binding for both parties. Future research should be done to help build a set plan for small businesses to follow with regard to CSR models, and in turn this morally ground practice can become commonplace in the work world.

Full Annotated Bibliography

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