LEADING LOCALLY: SMALL BUSINESS & SOCIAL CHANGE



POINTS OF LIGHT

MAY2023



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- Vivian Greentree, PhD

SVP, Head of Global Corporate Citizenship President, Fiserv Cares Fund

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FROM THE INTERIM PRESIDENT & CEO

The social impact sector has moved the needle in the past few years, causing decision-makers to prioritize community-led solutions that start with listening and learning, then engaging those who are served and identifying local leaders who can drive change.

One group that may be overlooked, however, is small business. Small business owners are often on the front lines of change, whether responding to a local disaster, supporting a local youth sports league or advocating for policies that help their community and local economy. This group is driving social change, and our research found they want to do more.

More than half the public agreed that small business owners should take a public stand on social issues. More than two-thirds of business owners also agreed, and they felt working with NGOs, nonprofits and governments to advance social issues is important. Still, 41% of owners agreed with the statement, "I am not sure what my small business could do to help," and 48% agreed with, "I want my small business to be involved but I am unsure how." This mirrors similar percentages from <u>Points of Light's 2020 Civic Life Today research</u>, where we found that individuals also felt they were not sure how to help.

This report reveals a great opportunity for nonprofits and small business owners to seek each other out for mutually beneficial partnerships, ones in which a business owner can learn more about what change is needed directly from those in the community. When you see your consumer base eye-to-eye every day, doing things that drive engagement is critical. And while NGOs and nonprofits often think of large companies or foundations for larger projects, local small business owners have intimate knowledge of local issues and the resources to make connections; they may be able to bring to a partnership more creative solutions with stronger potential impacts at a local level.

Small businesses can be the key to unlocking deeper relationships in communities if given the right opportunity to engage. Points of Light's <u>Social Impact Playbook</u> and other resources for businesses share plenty of ways to take action. When we leverage small businesses as part of a solution to a social issue, we create thriving, participatory communities and a more just society. And that's a benefit for all of us.



DIANE QUEST Interim President & CEO, Points of Light





INTRODUCTION

In its <u>April 2022 Global Report</u>¹, Points of Light found a worldwide mandate for companies to lead when it comes to social issues in the world today. Nearly every respondent in Brazil (90%) and India (95%) and two-thirds of those in the U.S. and the U.K. said they expect companies to address social challenges. The <u>Forbes Council</u> reinforced these findings a month later, writing, "Great service and solid products are the bare minimum; today, your brand needs to stand for something."² Expectations of social engagement aren't coming only from customers; <u>The Economist</u> reported in November that "large corporations are feeling investor pressure from above, employee pressure from within and consumer pressure from all around to be more public in the way they express and defend their values."³ <u>The Corporate Social Mind</u> reported that the majority of Americans today are choosing to purchase from companies that support social issues.⁴

Until now, studies have not measured whether public expectations differ based on the size of the business. As this report will show, small business owners aren't struggling to keep up with the public's expectations for their social issue engagement; these business owners are already exceeding them.

Unfortunately, consumers tend to learn primarily about the social values of big businesses, those that have <u>resources</u> and capital (social, human and financial) to fund attention-grabbing donations or advertising, marketing and earned media campaigns. Those tools are luxuries to most small business owners—luxuries they can't afford or don't have the means to carry out.⁵

^{1.} Points Of Light, https://www.pointsoflight.org/civic-engagement-research/.

Forbes, https://www.forbes.com/sites/theyec/2022/05/02/how-corporate-responsibility-is-influencing-consumer-buying-decisions/?sh=3b095aa45c6d.
The Economist, https://www.economist.com/the-world-ahead/2022/11/18/companies-are-expected-to-take-a-stand-on-more-social-lissues.
The Corporate Social Mind, https://www.theoroporatesocialmind.com/research.

^{5.} Motley Fool, https://www.fool.com/the-ascent/small-business/articles/heres-how-much-the-average-small-business-makes-each-year/

The U.S. Small Business Administration defines a small business as an independent business having fewer than 500 employees. This means more than 33 million small businesses exist in America, comprising <u>99.9%</u> of all U.S. firms, employing 46% of private-sector workers and generating 44% of gross domestic product.⁶ Data uncovered in this study seem to support a Wharton management professor's <u>assertion</u> that small business owners have "social authorization," the idea that businesses "feel they are being granted the power from other groups, collectives, or other people in society to engage in societally based work. That's anything related to taking a stance on social issues or responding to social causes."⁷

All these factors affect how both the public and small business owners engage with today's social issues and each other. With its emphasis on the public's relationship to small business, this report spotlights an opportunity to influence people at the local level—an opportunity that small businesses are poised to take advantage of through their close relationships within their communities.

This report will help you unlock your full potential for doing good with small businesses in America.

We believe that regardless of size, companies, their employees and their stakeholders can drive transformative social change when they work at the intersection of community needs, employee interests, and company resources and priorities. Small businesses are built to wield influence at this intersection. Consider this preview of the data from this report:

- Today's small business owners are already engaged in supporting social issues.
- These small business owners are already exceeding whatever expectations the public has of them to be involved in the social issues of our time.
- Small business owners are highly trusted individuals in their communities.
- People are open to learning about social issues from small business owners.

With this report, Points of Light has identified small business owners as a highly trusted yet overlooked source of social issue influence.

6. U.S. Chamber of Commerce, https://www.uschamber.com/small-business/state-of-small-business-now. 7. Time.com, https://time.com/charter/6159022/wharton-corporate-social-responsibility/. 8. Points of Light, https://www.pointsoflight.org/wp-content/uploads/2022/04/2022_CL_Playbook_SBSI_FINAL_Fillable.pdf



Points of Light is a nonpartisan, global nonprofit organization that inspires, equips and mobilizes millions of people to take action that changes the world. The <u>Points of Light Civic Circle®</u> provides a framework for individuals to drive social change and lead a civic life. Based on the data in this report, social impact organizations can now look to small business owners for entry points into the Civic Circle.

This report considers engagement through the lens of the Civic Circle, which was created to help:

- people, organizations and businesses understand that doing good comes in many forms, and
- social impact organizations generate opportunities for support and connection based on individuals' thoughts, behaviors and needs

The Civic Circle represents your power to lead, lend support and take action for causes you care about and to lead a civic life through:

PURCHASE POWER.

Make decisions that reflect your values or advance a social cause or issue by choosing where you do and don't spend your money.

VOICE.

Speak up to raise awareness for an issue to influence your family, friends and others.

VOTE.

Participate in the democratic process by voting in national and local elections to support causes and candidates aligned with your positions.

LISTEN & LEARN.

Stay informed, think critically and educate yourself on issues using a variety of sources.

WORK.

Choose your employment based on an organization's values; you may also use your workplace as a platform to advance social issues.

and more.



THE POINTS OF LIGHT CIVIC CIRCLE®: A FRAMEWORK



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METHODOLOGY

Points of Light commissioned INFLUENCE|SG to design and execute a research study to identify the public's expectations of small business owners' involvement in and support of social issues. This study uses the U.S. Small Business Administration definition of small business as an independent business with fewer than 500 employees. The research team took a quantitative approach with a mobile-optimized online survey of a national representative sample of 2,756 adults (ages 18-65) and 332 small business owners in the U.S. Samples were based on ethnic and demographic composition. The margin of error is +/- 3%. For demographic data-gathering, researchers gave respondents the opportunity to self-identify their gender and race/ethnic identity.

See complete findings, analysis, recommendations and other reports at pointsoflight.org.

SAMPLE DEMOGRAPHICS



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DATA SUMMARY

SOCIAL ISSUE POSITIONS

More than half the public agreed that small business owners should take a stand on social issues. Even more business owners, 67%, agreed to the same.

Small business owners believe speaking out has the most influence on initiatives important to the public. Half the public and two-thirds of small business owners ranked speaking out as pretty important or essential.

Providing resources or opportunities for the community to learn about social issues is important to the public and essential to small business owners.

Small business owners took their role in educating the public about social issues quite seriously, with a quarter declaring this action to be essential.

Working with NGOs, nonprofits, governments or community leaders to advance social issues is slightly more important to small business owners than to the public. Collaborating with these types of groups to advance social issues is important to the public and even more so to small business owners.

When prompted by a small business, the top action taken by the public is donating goods to a cause or organization.

Nearly 40% of the public donated goods at the behest of small businesses. On the other side, about two-thirds of each group said it's important for small businesses to donate themselves, and more than a quarter of owners said small business donations are essential.

Encouraging others to vote to influence local social issues is important to the public and essential to small business owners. Both groups generally agreed on the importance of small businesses encouraging people to vote as a way to influence local social issues.

The public and small business owners agree that supporting local issues through both volunteer and non-volunteer (informal) activities is important.

Small business owners felt slightly stronger about participating in supportive social issue activities than the public, though both groups said it was important.

Uncertainty underlies the reasons for uninvolved small business owners.

Nearly half of small business owners responding to the survey felt unsure how to get involved in social issues or are unsure how they could make a difference.



DATA SUMMARY

PURCHASE MOTIVATIONS

The majority of the public shops at small businesses.

Nearly two-thirds of respondents purchased from a small business within the last month.

Individuals often look to see whether a small business supports social issues.

About 40% of individuals "often" look for information on a small business' social issue involvement. Within the data, notably many more men than women and more Black Americans than other ethnicities sought this information.

Price generally overrides other motivations for shopping at a small business, though social issues do still have influence.

Individuals were motivated to buy from small businesses primarily by price, yet heavily influenced by a product or service's environmental impact and by the owner's social issue involvement.

Trust in the owner and support for a business that contributes locally tied as the third-highest reasons for shopping at a small business.

Excellent customer service and original/authentic/hard-to-find products followed price as shopping motivators, then came (tied) trust in the owner and support for a business that contributes locally.

Informing the community that a small business values the social issues residents care about is important to the public and more so to small business owners.

Knowing whether a small business supports a social issue itself was an important factor in a person's decision to shop at a local business.

POINT-OF-SALE DONATIONS (POS)

Nearly three-quarters of the public makes donations at the point of sale.

The public was almost evenly split between giving at the POS for local impact (35%) and giving regardless of geographic impact (39%), and a little less than half of small business owners said they offered these opportunities.

The public made POS donations to support animals/animal rights, gun safety, gun rights, climate change, civil rights/social justice.

Yet, the top five POS opportunities that small business owners said they offered to customers were not the same as the top five that received donations.



DATA IN DEPTH

SOCIAL ISSUE POSITIONS

A significant percentage of respondents want small businesses to take a public stand on the social issues they care about. Many small business owners are already involved in issues – and, judging by this data, they're doing so not because the public expects it, but because they believe it's the right thing to do. They seem to understand that the most important proof point when aligning purpose with community is backing up stated intentions with action.

"For social change movements to be <u>successful</u>, the right pressure from the right players must converge at the right time to create a moment that the institution or powerholder can't ignore. ... The right players are those willing to take a public stand and showcase authentic reasons for doing so."⁹ A community engagement strategy can be the key to driving actions that, ultimately, strengthen the value of a small business.

More than half the public agreed that small business owners should take a stand on social issues.

Regarding local issues, 52% of the public agreed either somewhat or completely on the need for small business owners to take a public stand. Even more business owners, 67%, agreed to the same.

The responses for small business owners taking a stance on broader (non-local) social issues followed a similar pattern, with 46% of the public agreeing and 61% of small business owners. This indicates the latter are as engaged in non-local issues as in those that specifically affect their communities.

Men felt more strongly than women that small business owners should take a public stand on local and non-local issues, and Black/African American respondents felt this more strongly than other ethnicities.

9. Derrick Feldmann, Philanthropy News Digest, https://philanthropynewsdigest.org/features/the-sustainable-nonprofit/the-right-players-exerting-the-right-pressure-at-the-right-time.



SMALL BUSINESSES I PURCHASE FROM SHOULD TAKE A PUBLIC STAND ON LOCAL COMMUNITY ISSUES WHERE I LIVE.





SMALL BUSINESSES I PURCHASE FROM SHOULD TAKE A PUBLIC STAND ON BROADER SOCIAL ISSUES THAT AFFECT PEOPLE OUTSIDE THE COMMUNITY WHERE I LIVE.





SBOs 🔴 Male 🌑 Female 💿 White 🔵 Hispanic 🛑 Black 💮 Asian 40% 30% ... 20% 10% 0% Not that Somewhat Pretty Essential important important important

SMALL BUSINESSES SHOULD SPEAK OUT ON SOCIAL ISSUES.

Small business owners believe speaking out has the most influence on initiatives important to the public.

Two-thirds (66%) of small business owners ranked speaking out as pretty important or essential compared to half (50%) the public. Women (39%) felt more strongly than men (33%) about this. In ethnicity comparisons, Asian (43%) and Hispanic (42%) respondents specifically ranked notably higher for the "somewhat important" response.

Two other top actions that also involved direct communication with the public – providing learning resources and informing people of company values – ranked second and third.

Owners educating and influencing customers by speaking out on social issues reflects a successful business application of the Civic Circle element of *voice*.

POINTS OF LIGHT

TOP FIVE WAYS YOU AS A SMALL BUSINESS OWNER CAN HAVE THE MOST INFLUENCE ON INITIATIVES IMPORTANT TO YOUR COMMUNITY.





The top action taken by the public when prompted by a small business is donating goods to a cause or organization.

Nearly 40% of the public donated goods and 26% made a financial donation to support a social issue at the behest of a small business. More than a quarter applied for or took a job with an organization they believed to be socially responsible as suggested by a small business.

In gender comparisons, men (33%) almost doubled the women (17%) who applied for or accepted a job with a socially responsible organization, 10% more men than women donated professional services, and 6% more women than men took no action,

In comparing ethnicities, significantly more Black/African American respondents (36%) applied for or accepted a job with a socially responsible organization, which is 7%-14% higher than the other ethnicities. White respondents ranked the highest in saying they took no action (3%-12% more than the others).

Showing Sincerity

POINTS OF LIGHT

For the following data, respondents were given a range of possible actions a small business could take to show its sincerity when coordinating a community effort to support a social issue. The findings in this section reflect reportable and dominant actions from the larger range of possible responses and tie directly into the Points of Light Civic Circle.

- **Encouraging others to vote:** Both groups generally agreed: Small businesses should encourage people to vote as a way to influence local social issues; 51% of the public ranked this action as pretty important or essential, compared to 61% of small business owners. As the Civic Circle makes clear, voting is one's opportunity to participate in the democratic process and support the causes they consider important.
- **Taking part in volunteer and non-volunteer (informal) supportive activities**: For both volunteer and non-volunteer activities that support social issues, less than one-fifth of the public deemed this action essential, while a quarter of small business owners did so.

TOP ACTIONS TAKEN IN THE LAST MONTH BY A SMALL BUSINESS / BY AN INDIVIDUAL AT THE REQUEST OF A SMALL BUSINESS





responsible.









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Uncertainty underlies the reasons for uninvolved small business owners.

It's worth noting that 41% of owners agreed with the statement, "I am not sure what my small business could do to help" and 48% with, "I want my small business to be involved but am unsure how." Also worth noting: The lowest rankings of reasons for a lack of involvement were believing they couldn't make a difference and not being interested.











Small business owners believe employees at each level in their organization understand the importance of supporting and promoting community initiatives. However, they ranked managers/midlevel managers lower in understandinand highest in indifference.



DATA IN DEPTH

PURCHASE MOTIVATIONS

In May 2021, <u>GBH News</u> reported, "The murder of George Floyd in Minneapolis a year ago put a spotlight on racial inequality in all forms—including business. The resulting conversation about race has changed where many consumers have been spending their cash."¹⁰ On one hand, advocacy drove consumers to shop at local small businesses, especially those owned by Black, Hispanic and women entrepreneurs; on the other hand, as this report demonstrates, small business owners turned their attention to how they could get involved in social issues.

The majority of the public shops at small businesses.





10. WGBH News, https://www.wgbh.org/news/local-news/2021/05/27/how-the-black-lives-matter-movement-boosted-local-black-owned-businesses.



HOW OFTEN DO YOU (YOUR CUSTOMERS) LOOK FOR INFORMATION TO LEARN ABOUT THE (YOUR) SMALL BUSINESS' SUPPORT OF A SOCIAL ISSUE OR INVOLVEMENT IN YOUR COMMUNITY?



About 40% of individuals look often for whether a small business supports social issues.

Researchers found that 40% of individuals often or very often looked for whether a small business is supporting social issues before they shop there; small business owners had higher (53%) expectations.

Notably, nearly half of men said they often or somewhat often look for information, compared to less than a third of women. Black/African American respondents said they look for social issue information very often or often nearly 20% more than white respondents (81% and 62%, respectively).



Price generally overrides other motivations for shopping at a small business, though social issues do have some influence.

Individuals said their strongest motivator for buying from a small business is the price of its goods and services; 40% said they care more about price than whether a small business supports a social issue or how the product was developed or produced (i.e., its impact on people or the environment). Still, 30% said they are motivated most either by a product or service's environmental impact or by the small business' social issue engagement.

Notably, white respondents were more concerned about price, being much more likely than Asian and Black/African American respondents to be motivated by price over social issue support and price over environmental impact.

Which is the strongest motivator for you when buying from a small business?

WHICH IS THE STRONGEST MOTIVATOR FOR YOU WHEN BUYING FROM A SMALL BUSINESS?





When tested on price vs. social engagement using specific product examples, the public generally claimed a willingness to pay a higher cost to receive social issue-relevant information, though they were more willing to do so for a lower-priced item (soft drink) than a higher-priced item (sweater). This indicates the public values a fair price that comes with some information about social issue engagement and support.









Trust in the owner and support for a business that contributes locally tied as the third-highest reasons for shopping at a small business.

Excellent customer service (50%) and original/authentic/hard-to-find products (45%) followed price as shopping motivators, then trust in the owner and support for a business that contributes locally tied at 43%. Small business owners agreed and added that being known to treat their employees well was important, but put a much lower premium on their contribution to the community (29%).

Women and Black respondents were the most likely to support a small business for being minority- or women-owned.

NOTABLE DIFFERENCES (5% OR MORE) IN REASONS FOR SHOPPING SMALL BUSINESSES





HOW IMPORTANT IS INFORMING THE COMMUNITY OF THE SOCIAL ISSUES A SMALL BUSINESS VALUES?

SBOs 🕘 All 🛑 Male 🛑 Female 📃 White 🔵 Hispanic 😑 Black 🛑 Asian



Informing the community that a small business values the social issues residents care about is important to the public and more so to small business owners.

Whether a small business supports a social issue itself or gives customers the opportunity to show support can temper the influence of price for some. About a fifth of the public and more than a quarter of small business owners said public knowledge of a small business' social values is essential. Data throughout this report buttresses what appears here to be a fairly high level of concern among small business owners related to social issues compared to a lower level of expectations by the public.



DATA IN DEPTH

POINT-OF-SALE DONATIONS

The Civic Circle illustrates how choosing where to spend one's money can reflect social values. This report reflects that when consumers choose to shop at small businesses, they are likely to encounter a cardboard box, small plastic container, digital tap pad or other form of point-of-sale (POS) collection option. Many nonprofits design and supply these ubiquitous containers, while some local community groups will ready an empty cookie-dough tub for donations. Regardless of the vessel, this research found that patrons of small businesses appreciate these and other opportunities to give.

Nearly three-quarters of the public makes social issue donations at the point of sale with small businesses unconnected to the social issue. The public was almost evenly split between giving for local impact (35%) and giving regardless of geographic impact (39%), and 41% of small business owners said they offered such POS donation opportunities. Very few people (7%) said they felt pressured to give this way.

Men (78%) were substantially more likely to say they made POS donations than women (64%). At 59% compared to the 71% total, Asian respondents were notably less inclined to make POS donations.

DID YOU MAKE YOUR Male **DONATION AT THE CASH** Female **REGISTER OR POINT OF** SALE AT A SMALL BUSINESS **UNCONNECTED TO THE** Hispanic SOCIAL ISSUE YOU WERE SUPPORTING? Black/African American Yes No Onsure Asian 10% 20% 50% 0% 30% 40% 60% 70% 80%



The public made POS donations to support animals/animal rights, gun safety, gun rights, climate change, and civil rights/racial discrimination/ social justice.

The top five POS opportunities that small business owners said they offered to customers were not the same as the top five that received donations.

TOP FIVE ISSUES RECEIVING POS DONATIONS AT SMALL BUSINESSES

- **1** . Animals/animal rights
- 2 . Gun safety
- 3. Gun rights
- 4 . Climate change
- 5. Civil rights/racial discrimination/social justice

TOP FIVE ISSUES OFFERED BY SMALL BUSINESSES FOR POS DONATIONS

- **1** . Animals/animal rights
- 2. Gun safety
- **3** . Mental health/social services
- 4. Gun rights
- 5 . Civil rights/racial discrimination/social justice and poverty/homelessness (tied)

The top three issues supported varied between men and women and among ethnicities.

TOP THREE ISSUES

Men

Animals/animal rights Gun safety Gun rights

Hispanic

Animals/animal rights Gun safety Healthcare Women

Animals/animal rights Mental health/social services Gun safety

Black

Gun safety Civil rights/social justice Animals/animal rights White

Animals/animal rights Gun safety Gun rights

Asian

Animals/animal rights Climate change Gun safety



CONCLUSION

Americans' confidence in most institutions has declined since the early 2000s. Confidence in small businesses, however, has remained strong. As this report shows, small business owners are a force for social change with vast untapped potential for exerting a great deal of influence. People trust them. People see them as part of the community—as neighbors who face the same challenges and have the same concerns for the future.

Their influence could galvanize enormous waves of social change. If you are a small business, we encourage you to examine the <u>Points of Light Social Impact Playbook - A Roadmap for Driving</u> <u>Positive Change in Your Community and Company</u>. If you are an NGO or a nonprofit, we hope you will explore the opportunities for partnership with small businesses in your community. If you are a consumer, we hope you will continue to support America's small businesses and recognize them as valuable community members ready for social change.



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