Corporate social responsibility in small and medium enterprises: application of stakeholder theory and social capital theory

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CORPORATE SOCIAL RESPONSIBILITY IN SMALL AND MEDIUM ENTERPRISES: APPLICATION OF STAKEHOLDER THEORY AND SOCIAL CAPITAL THEORY

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ABSTRACT

Corporate social responsibility (CSR) is a business management concept that originated in the early 1930s after the Wall Street crash of 1929 exposed corporate irresponsibility in large organisations. Since then, social responsibility has continued to be the focus of business operations and a popular topic of investigation for practitioners and academics from a range of disciplines.

Whilst the initial interpretation of CSR has been modified and refined since it was first used, the significance of this multidimensional concept for the small and medium enterprise (SME) sector has continued to be overshadowed by its application to large and multinational organisations. Due to relatively little attention being given to CSR in relation to SMEs until recent years, the knowledge of social activities in this sector, particularly in Australia, has remained unexplored and amorphous. This study therefore investigates CSR from the perspective of SMEs in Australia.

The aim of this research is to advance the understanding of how SMEs perceive CSR and their approaches to social responsibility. From the literature review, a few areas were identified in which investigation would contribute to developing a holistic understanding. These areas are: business values, knowledge and attitudes to CSR, actual and stated CSR behaviour, influences on CSR participation, motivations for CSR, the barriers and facilitators of CSR in SMEs and finally, the motivations for voluntary engagements with different associations. The increased understanding of the CSR orientation of these organisations obtained by investigating these areas shed more light on the use of stakeholder theory and social capital theory for explaining the SME–CSR relationship.

A qualitative case study research methodology was applied to investigate the research problem. Data was collected through twelve semi-structured open ended interviews with owner-managers of SMEs in the Gold Coast region of Australia. The analysis of responses commenced with data reduction followed by data display and then conclusion forming and verification. A range of tactics was used to ensure the validity and reliability of the case study research design.

This research supports the view that SMEs are not always profit driven and that they are therefore fundamentally distinct from large organisations. Ethical operation and compliance
with social norms are the most common values that drive such organisations. In contrast to past assumptions, SMEs are well aware of the fundamentals of social responsibility and presently consider responsible behaviour as a platform to grow their businesses. As a result, they think, act and engage with their communities proactively. The term Business Social Responsibility (BSR) appears to be more relevant and appropriate for SMEs rather than the traditional term ‘CSR’. However, Australian SMEs are not yet strategic about business responsibilities, rather strongly influenced by their moral values. Creating and maintaining their reputations through social networking and relationships with stakeholders, irrespective of their salience, is the primary motivation for SMEs’ participation in social activities.

The findings of this study indicate that even though primary stakeholders like employees, customers and suppliers are important for economic objectives, social engagement with secondary stakeholders in the community, and the social capital which results from those social engagements, are more important for the survival of SMEs. Thus, SMEs see BSR as a source of social capital and an opportunity to compensate their limited resources. Based on this understanding of BSR in SMEs, social capital theory appears to be a more valid approach for explaining the SME–BSR relationship than stakeholder theory.

It is expected that the knowledge gained from this study will benefit future researchers from a range of disciplines who may wish to investigate the topic. The advanced perception of business responsibility will also contribute to the development of a comprehensive theory that can improve SME business management in particular, and social life and economic growth in general.

**KEYWORDS**

Business social responsibility (BSR), corporate social responsibility (CSR), small and medium enterprises (SMEs), stakeholder theory, social capital theory
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STATEMENT OF ORIGINAL AUTHORSHIP

I certify that the work presented in this thesis is, to the best of my knowledge and belief, original, except as acknowledged in the text and that the material has not been submitted, either in whole or in part, for a degree at this or any other university.

I also certify that, to the best of my knowledge, any help received in preparing this thesis, and all sources used have been acknowledged in this thesis.

Signed: ..........................

Date: .............................
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CHAPTER 1

INTRODUCTION TO THE STUDY

1.1 CHAPTER OBJECTIVES AND STRUCTURE

This study examines the multidisciplinary concept of Corporate Social Responsibility (CSR) in relation to Small and Medium Enterprises (SMEs). While CSR has continued to be a popular topic of investigation since the early 19th century, it has gained momentum in recent years as academics and practitioners started recognising the social and environmental impact of SMEs on society (Jenkins 2006). Since large organisations have always been the focus of CSR studies, socially responsible activities in the SME sector are often disregarded and (mis)judged. These judgements are based on a range of unfounded assumptions derived from large organisations. As a result, the social responsibility approach of SMEs has, until recently, remained largely unexplored.

The title of this study is Corporate Social Responsibility in Small and Medium Enterprises: Application of Stakeholder Theory and Social Capital Theory. As the title indicates, this research explores social responsibility in SMEs and examines the relevance of the above two theories in relation to the participation of SMEs in such activities.

A primary objective of Chapter 1 is to provide a detailed background of the issues that led to the investigation of the research problem. Also included are the justifications for this research and descriptions of the applied methodology and data analysis. The contributions to knowledge made by this thesis, its limitations and its structure are also discussed.

Figure 1.1 (p. 2) outlines the structure of Chapter 1. Section 1.2 provides background information for this study. Section 1.3 narrows down the research problem and identifies the seven research questions that emerged from the literature review undertaken in Chapter 2. Section 1.4 and Section 1.5 justify this research and the methodology applied to investigate the research problem. Section 1.6 outlines the contributions of this research to the existing literature and its relevance for academics, business owners, practitioners and policy makers.
It also identifies possible future research directions. Section 1.7 reviews the limitations of this research and key terms are defined in Section 1.8. Finally, Section 1.9 outlines the content of all the chapters before the conclusion of Chapter 1 is presented in Section 1.10.

**Figure 1.1**

**Structure of Chapter 1**

1.1 Chapter objectives and structure
1.2 Background to research
1.3 Research problem and research questions
1.4 Justification for research
1.5 Research methodology
1.6 Contributions of the study
1.7 Research limitations
1.8 Definitions of the terms
1.9 Structure of the thesis
1.10 Conclusion

*Source: Developed for this research*
1.2 BACKGROUND TO THE RESEARCH

In recent decades, we have seen increased numbers of informed citizens critically analysing the impacts of business activities on society. This has brought changes in social expectations and an emphasis on inclusive growth, social equity and affirmative action. As a result, businesses are under increasing pressure to demonstrably engage in activities which are described as CSR.

Unfortunately, CSR initiatives, so far, have tended to focus mainly on large and multinational companies. Following the inception of the concept in the United States by Berle and Means (1932) and its later development by Bowen (1953), CSR was seen as a tool to control the misuse of corporate power in bigger organisations and to redirect them to produce social goods. Traditional CSR, which developed from these ideologies, has been perceived as a ‘luxury good’ (Spence et al. 2003) that only large companies could indulge in. As a result, conventional literature related to business behaviour has underestimated the impact of Small and Medium Enterprises (SMEs) on society. However, more recent studies challenge traditional CSR concepts and demonstrate how such activities may not be a business threat and cost burden for SMEs, rather an opportunity to gain competitive advantage (Tilley et al. 2003).

A lack of theoretical corroboration, empirical investigation and understanding of social responsibility in the SME sector generated multiple explanations of the CSR–SME relationship. Observers have reached a variety of conclusions about the differences between SMEs and large organisations in respect to the extent of their CSR participation and their intentions. Some have argued that bigger firms are more socially responsive because of their larger resource slacks, visibility and operational scales (Brammer & Millington 2006, Johnson & Greening 1999). Others have disagreed, stating that the same characteristics actually motivate smaller firms to behave responsibly (Meznar & Nigh 1995). Whilst such debates are far from reaching consensus, it has become evident that SMEs do participate in CSR in an informal manner which Perrini et al. (2006) termed as ‘sunken CSR’. As the term suggests, ‘sunken CSR’ was often not identifiable due to the inapplicability of CSR theory and the traditional business ethics approaches (Goss 1991; Jenkins 2004; Spence 2001, 2004). Udayasankar (2007) reconciled the above long-standing divergent views, stating that very small and very large firms are equally motivated to participate in CSR, although their sets of
motivations differ completely. Such a conclusion further raises doubts about whether any single theory or model can adequately explain CSR in both SMEs and large organisations. With this debate in mind, researchers are seeking to improve their knowledge and establish more substantial links between the theory and practice of CSR.

Among the numerous theories that have been applied to explain CSR, stakeholder theory and social capital theory stand out as the two most well-founded theories in the literature on business management. Proponents of stakeholder theory (Brenner & Cochran 1991; Jones & Wicks 1999) view management choice as a function of stakeholder influence and they therefore argue that organisations address a set of stakeholder expectations by participating in social activities. Mitchell et al. (1997) uses this theory to develop a stakeholder salience model and ranks business stakeholders on the basis of their legitimacy, urgency and power. They further propose that businesses prioritise issues according to the level of their stakeholders’ salience. The logic behind this view is similar to Friedman’s (1962) ideology which considers economic objectives as the prime motivation of all businesses.

Recent research in this area has started interpreting the CSR phenomenon from the perspective of social capital theory. The interactive concept of social capital is underpinned by theories of economics (Woolcock & Narayan 2000), sociology (Coleman 1988) and political science (Ostrom 1994; Putnam 2000). It is suggested that social capital arising out of social networks, and the values of reciprocities between them, has become an influential factor in debating and understanding organisational management. Analysts of social capital (Nahapiet & Ghoshal 1998) are primarily concerned with the significance of relationships as a resource for social action. Much of this social capital is embedded within the networks of mutual acquaintance and recognition. Academics like Baker (1990) limit the scope of the term to the structure of the relationship networks whereas others (Bourdieu 1986, 1993; Putnam 1995) include the actual and potential resources that can be accessed through such networks. In recent studies of CSR, business researchers (Fuller & Tian 2006; Perrini 2006, Spence et al. 2003; Spence & Schmidpeter 2003) note that organisations participate in social activities with the aim of increasing their social capital.

However, CSR in SMEs is still analysed by the application of both stakeholder theory and social capital theory. The contrasting interpretations of these two theories leave policy makers, practitioners, academics and SME owners and managers without a clear theoretical base or guidelines in relation to decision making on social responsibility. Whilst stakeholder
theory suggests organisations should prioritise social activities that meet the demands and expectations of higher salient stakeholders, social capital theory explains CSR as building relationships with all stakeholders in order to increase trust, power, access to resources and information valuable for the business. Elements of both these theories have been identified and supported by different researchers, however, they remain inconclusive about the relevance of each in explaining the CSR practices in SMEs.

1.3 Research Problem and Research Questions

The purpose of this research was to explore how SMEs in the Gold Coast region of Australia participate in socially responsible activities and examine if stakeholder theory and/or social capital theory could successfully explain the CSR approach undertaken by them.

As explained in Section 1.2, CSR has been mostly investigated in terms of either stakeholder theory or social capital theory. Most of these studies were conducted in the UK, Europe and other regions in the context of large organisations and they successfully explained CSR participation from the viewpoint of stakeholder theory. Whilst the relevance of this theory in large businesses has hardly been questioned, its application in the SME sector has raised serious concerns. Academics and researchers are sceptical about the assessment of social responsibility in SMEs from a stakeholder theory perspective because these firms are very different from their larger counterparts (Welsh & White 1981). An overview of the core characteristics of SMEs is discussed in Section 2.2.4.3 (p. 47) of Chapter 2. Based on these characteristics, recent studies on CSR in SMEs have increasingly employed social capital theory to explain SME participation in social activities. However, expert opinions still differ on the appropriateness of both these theories in the context of the research problem.

In addition to these issues, CSR practices of Australian SMEs have received little attention. Even though investigations of this relationship in the Australian context have increased lately, very few studies have interpreted their results by applying both stakeholder and social capital theory. The most comprehensive study on small enterprise CSR in Australia was conducted by Gary Mankelow (2003). In his study, Application of stakeholder theory to
investigate small enterprise corporate social responsibility, he developed a small enterprise corporate social responsibility model (SECSRM). His research justifies the use of stakeholder theory to explain the CSR participation of small enterprises. However, in a recent publication, Russo and Perrini (2009) state that the notion of social capital is a more useful way of understanding the CSR approach of SMEs, whereas stakeholder theory more accurately describes the CSR approach of large firms. These two contradictory conclusions led the researcher to investigate CSR participation in Australian SMEs.

With the aim of investigating CSR practices in Australian SMEs, the following seven research questions were developed after a comprehensive review of the parent and immediate literature was undertaken in Chapter 2:

- **Research Question 1**: What are the business values of SMEs and how are they oriented?
- **Research Question 2**: How is CSR perceived by SMEs?
- **Research Question 3**: How do SMEs participate in CSR?
- **Research Question 4**: Which stakeholders influence CSR participation in SMEs and to what extent?
- **Research Question 5**: Why do SMEs participate in CSR?
- **Research Question 6**: What are the barriers to CSR? How can SMEs be encouraged to participate in such activities?
- **Research Question 7**: Do SME owner-managers voluntarily engage themselves with different associations, and if so, why?

Note: The term owner-manager is used in a broad sense in this thesis to refer to individuals who are owners, or managers, or both in SMEs.
1.4 JUSTIFICATION FOR THE RESEARCH

CSR has emerged as a significant theme in the global business community and has already moved into the mainstream activity. The growing emphasis on business social responsibility is affecting the relationships between companies and their various stakeholders including customers, employees, communities and governments. Larger companies have already incorporated CSR in their strategic plans as an essential element for long-term sustainability. Whilst it was initially considered as the domain of larger organisations with bigger impacts on the society, SMEs’ social behaviour is no longer overlooked. People have started recognising the importance of SMEs as a predominant form of business in all economies and the net influence they can potentially have within society.

SMEs make up the largest business sector in most world economies. They are dominant in terms of absolute numbers, and are also the key drivers of employment and economic growth (Jones 2005). In Australia, SMEs accounted for nearly 99.7% of all Australian businesses in June 2007 (ABS 2007). According to a report of CRA International (2007), SMEs contributed 95% of the value of Australia’s agriculture, forestry and fishing production, 80% of the value of Australia’s construction industry output, 67% of property and business services production and 42% of the value of national manufacturing industry output. SMEs’ contribution in these four industries alone accounted for around 20% of the value of Australia’s GDP in 2006. Despite SMEs being such a significant contributor to the Australian and the global economy, their CSR practices remained obscure (Grayson 2004; Spence et al. 2000; Vyakarnam et al. 1997).

This existing knowledge gap, coupled with the differences between the fundamental characteristics of SMEs and large organisations, delimits the applicability of traditional models and theories in the evaluation of CSR participation of SMEs (Moore & Spence 2006; Perrini 2006; Spence 1999). Whilst SMEs participate in ‘sunken CSR’, their approaches to social activities in Australia remain undefined. Since the community and sociological contributions of such businesses have rarely been recognised in the past (Alizadeh 1996; McMohan et al. 1993; Reynolds, Williams & Savage 2000), there is a lack of cohesive knowledge that could guide SMEs, academics, practitioners and governments to take better decisions in this area. Confusion about the applicability of theoretical frameworks that can explain CSR in SMEs further aggravates the situation.
This research contributes to the existing knowledge of CSR and provides new insights gained from the analysis of the concept in Australian SMEs. And in doing so, it also sheds light on the relevance of the two theories – stakeholder theory and social capital theory, which are frequently applied for the analysis of social responsibility in business.

1.5 RESEARCH METHODOLOGY

A qualitative case study research methodology was applied to investigate the CSR approaches undertaken by Australian SMEs. The reasons for selecting a qualitative investigation are based on two factors. Firstly, the research focused on an area which was little understood. Because of this, the study is exploratory rather than confirmatory and so a qualitative approach was appropriate (Miles & Huberman 1994; Neuman 2006). Secondly, the type of information that this research needed to collect and analyse involved an in-depth understanding of a complex phenomenon with a hidden slice of reality – the perceptions of SME owner-managers. To get a holistic view of this topic and a clearer understanding, quantitative methods would not have been adequate. The applied qualitative methodology enabled the researcher to obtain ‘real’, ‘rich’ and ‘deep’ information which is considered important, relevant and significant for this type of investigation.

From the various qualitative methodologies available, case study research was selected for four reasons. Firstly, according to Yin’s (1994) suggestions, and the use of how and why questions favoured the use of a case study methodology. The literature suggests that what questions are also suitable to be explored through this type of research (Yin 2009; Saunders et al. 2003). Secondly, Yin (1994) states that the case study method is used when the research involves little or no control over behavioural events. Since this study investigates a behavioural event in an environment which is beyond the control of the researcher, a case study approach was suitable. Thirdly, a case study approach is preferred when the researcher’s focus is on contemporary events (Yin 1994) which is the case in this research. Finally, the issue under exploration was a real-life situation where the boundaries between the phenomenon and the body of knowledge are unclear. This was the case because CSR has been probed by numerous disciplines through the application of various theoretical frameworks that have produced multiple views of CSR participation. Eisenhardt (1989), Yin
(1994) and Gable (1994) also advocate the use of case studies in such situations to explore reality.

1.6 Contributions of the Study

The benefits of this study relates to SMEs, practitioners, policy-makers, academics, theory on social responsibility of business and identification of future research directions. Some of these major contributions are listed below.

(i) The results of this research generated new insights into CSR in SMEs and added to the existing knowledge of business management. The overall understanding of the approach to CSR in SMEs developed from this study will assist future researchers from various disciplines to investigate business issues related to SMEs and their social attitudes.

(ii) Policy makers and practitioners can use the results of this study to improve and reorient their plans so that they can increase the CSR participation rate of SMEs. This can potentially improve the standards of social life and the national economy on a macro scale, too.

(iii) Participating SMEs will receive a summary of the outcomes of this study. This will allow them to gain a critical insight into the CSR practices of SMEs and inform them about the importance other businesses assign to stakeholders and communities. A comparison of their individual attitudes with the overall outlook may help them to reconsider their approach toward social involvement and encourage them to participate in CSR.

(iv) Through the in-depth investigation and interaction with the owners and managers of SMEs, the relevance of the frequently applied theoretical frameworks – stakeholder theory and social capital theory, was examined. The emerging results will be of particular significance for the application of an appropriate theory that can explain not only the SME–CSR relationship, but also other SME business-related issues in future.

(v) This study will produce academic papers both on the findings of the case study research and the applicability of theoretical frameworks in the CSR literature.
1.7 Research Limitations

This research was limited to CSR participation in SMEs. A relatively small sample of 12 SMEs was selected from publicly available sources based on the size (less than 100 employees) of the firms. The businesses that participated in this study were also intentionally chosen from a range of industries that exist in the Gold Coast region of Australia. As a result, number of possible limitations emerged that include:

(i) The size range of the participating businesses (1–100 employees) was smaller than the range specified in the Australian Bureau of Statistics’ definition of SMEs (1–199 employees).

(ii) The entire sample belonged to a restricted geographic location.

(iii) The method of case selection relied on the independent judgement of the researcher.

While tests and procedures to maintain reliability and validity were incorporated at each stage of the research, the results apply to SMEs within the studied region and therefore may not be generalised in terms of any particular industry sector or other regions of Australia and abroad.

1.8 Definitions of Terms

The terms used in this research have been defined differently by various researchers and practitioners depending on their individual contexts. The definitions of the terms used for the purpose of this study are therefore identified below:

Corporate Social Responsibility (CSR): ‘An obligation to constituent groups and society other than stockholders and beyond that prescribed by law and union contract’ (Jones 1980, p. 59).

Carroll’s (1979) definition of CSR which asserts that ‘social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time’ (p. 500) was not adopted for this research. This decision was informed by McGuire’s (1963) understanding of the construct as ‘obligations beyond the economic and legal domains’ and Walton’s (1967) view of ‘voluntarism’.
Stakeholder: A stakeholder in an organisation is any group or individual who can affect, or is affected by, the achievement of the organisation’s objectives (Freeman 1984). Therefore, customers, employees, suppliers, governments, investors and the community in which a business operates are all stakeholders of that organisation.

Stakeholder salience: A measure of authority derived as a result of the ownership of two or more stakeholder attributes like urgency, legitimacy and power. Each business stakeholder has a certain level of salience based on the ownership of the above mentioned attributes.

Stakeholder salience model: A model developed by Mitchell et al. (1997) to rank each stakeholder according to the joint possession of two or more attributes such as power and legitimacy, legitimacy and urgency, urgency and power or all three of these – power, legitimacy and urgency.

Social capital: ‘Social networks and the norms of reciprocity and trustworthiness that arise from them … that can improve the efficiency of society by facilitating co-ordinated actions’ (Putnam 1993, p. 167).

Small and Medium Enterprise (SME): The Australian Bureau of Statistics (ABS 2002) defines small and medium enterprises as businesses with less than 200 employees. The same definition was used in this research.

1.9 Structure of the Thesis

This dissertation follows the standard format for doctoral theses as proposed by Perry (1998b). It constitutes a five-chapter sequence as outlined in Figure 1.2.
Figure 1.2
Structure of the thesis

Chapter 1 Introduction
Chapter 2 Literature review
Chapter 3 Methodology
Chapter 4 Data analysis
Chapter 5 Conclusion

Source: Developed for this research

Chapter 1 presents a background to the research project, setting the scene for this study with an overview of the research topic, *Corporate Social Responsibility in Small and Medium Enterprises: Application of Stakeholder Theory and Social Capital Theory*, and the research questions. In addition, it details the importance of this research, justifies the chosen qualitative case study methodology, the contributions of the study, the research limitations and the structure of the thesis.

Chapter 2 provides a comprehensive literature review. Every effort was made to acknowledge and examine the entire depth and breadth of existing literature. The literature review thoroughly analyses the research topic’s parent disciplines, namely, CSR (Section 2.2.1), stakeholder theory (Section 2.2.2), social capital theory (Section 2.2.3) and SMEs (Section 2.2.4) followed by the literature on the immediate topic – CSR in SMEs (Section 2.3). The chapter concludes with the development of a theoretical framework and the research questions.

Chapter 3 details the methodology applied in this research. It outlines the selection and justification of research methodology (Section 3.2), the sampling procedure (Section 3.3), the
method of data collection (Section 3.4), the data analysis (Section 3.5), the criteria for judging the quality of case study methodology (Section 3.6), the limitations of the case study methodology (Section 3.7), ethical considerations (Section 3.8) and finally the conclusions (Section 3.9).

Chapter 4 employs methods of data analysis to analyse the research problem. Individual case studies were contextually analysed using an interview instrument (Section 3.4.2) developed for this research in Chapter 3. This interview instrument enabled a structured approach that integrates the research questions and the interview questions, thereby reducing possible biases in data analysis. Cross-case analysis was undertaken to derive and explore themes, patterns and ultimately the research findings which were critically evaluated in Chapter 5.

Chapter 5 is the last chapter of the thesis. In this chapter, the research findings were compared with those in the existing literature (Section 5.2). After a comprehensive discussion of all the findings, final conclusions to the research problem (Section 5.3) were drawn. Contributions and new knowledge developed from this study were identified in Section 5.4. The implications of the research findings and future research directions were discussed in Section 5.5. This chapter ends with a discussion of the limitations of the research (Section 5.6) and a chapter summary (Section 5.7).

**CONCLUSION**

Chapter 1 introduced the research topic: *Corporate Social Responsibility in Small and Medium Enterprises: Application of Stakeholder Theory and Social Capital Theory*, and presented the foundations to investigate it. In the next chapter, a comprehensive literature review of the related disciplines is documented that will lead through the methodological and analytical procedures in Chapter 3 and Chapter 4 respectively. Final discussions, conclusions and implications for further research are presented in Chapter 5.
CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

As explained in Chapter 1, investigation of the research topic, ‘Corporate Social Responsibility in Small and Medium Enterprises: Application of Stakeholder Theory and Social Capital Theory’, was undertaken after reviewing the parent and immediate literatures. The four parent literatures associated with this topic are Corporate Social Responsibility (CSR), stakeholder theory, social capital theory and small and medium enterprises (SMEs) and the immediate literature is confined to CSR in SMEs. Stakeholder theory and social capital theory were used to interpret and analyse the research results in Chapter 5.

Figure 2.1 below outlines the structure of the literature review.
Figure 2.1
Structure of chapter 2

2.2 PARENT LITERATURE

2.2.1 CSR
- Evolution of CSR
  - 2.2.1.1 In the 1960s
  - 2.2.1.2 In the 1970s
  - 2.2.1.3 In the 1980s
  - 2.2.1.4 In the 1990s
  - 2.2.1.5 In the 21st century
  - 2.2.1.6 CSR in this research

2.2.2 Stakeholder theory
- 2.2.2.1 Origin
- 2.2.2.2 Definitions of stakeholder theory
- 2.2.2.3 Major distinctions of stakeholder theory

2.2.3 Social capital theory
- 2.2.3.1 Origin
- 2.2.3.2 Concept of social capital
- 2.2.3.3 Theoretical aspects of social capital
- 2.2.3.4 Types of social capital

2.2.4 SMEs
- 2.2.4.1 Significance of SMEs
- 2.2.4.2 Definitions
- 2.2.4.3 Characteristics of SMEs
- 2.2.4.4 SME stakeholders
- 2.2.4.5 SME social capital

2.3 IMMEDIATE LITERATURE

CSR in SMEs
- 2.3.1 Review of SME-CSR
- 2.3.2 Summary of research questions

Source: Developed for this research
2.2 PARENT LITERATURE

To convey a thorough apprehension of the actual context, a detailed overview of the parent literatures was essential. The literature review commences with CSR in this section because it is the most important construct of the research problem which is still maturing and is therefore dynamic. It is therefore necessary to explain the researcher’s epistemological and ontological disposition in this regard before other areas were visited. Following an examination of the literature on CSR, an explanation of the two theories – stakeholder theory and social capital theory is provided. It is expected that this sequence will help readers to evaluate CSR from the viewpoint of both these theories. Finally, an elaborated analysis of the SMEs establishes the required platform to empathise with the topic under investigation.

2.2.1 CORPORATE SOCIAL RESPONSIBILITY

The concept of CSR was originally coined in the 1930s by two Harvard University professors A. A. Berle and C. G. Means. In the book The Modern Corporation and Private Property, they advocate upholding the rights of shareholders, and greater transparency and accountability in large organisations where ‘ownership’ and ‘control’ are separated due to regulatory instruments. Whilst their arguments are limited to corporate power and its impact on US society, the underlying values of transparency and accountability reflect the current scenario of CSR, although in an informal manner. The focus on this changing notion of ‘private property’ towards public ownership of corporations was initiated soon after the Wall Street crash of 1929 when the ideologies of capitalism revealed corporate irresponsibility.

In academic literature, formal writings on CSR are evident for the first time in Bowen's (1953) Social Responsibilities of the Businessman. He defines CSR as:

The obligations of businessmen to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society (1953, p. 6).

Bowen expected businesses to produce social goods such as: 1) higher standards of living; 2) widespread economic progress and security; 3) order, justice and freedom, and finally 4) the development of the individual person.

Therefore, he conceptualises CSR as a social obligation with a broader perspective than mere business responsibilities. In his view, CSR includes responsiveness, stewardship, social audit,
corporate citizenship and rudimentary stakeholder theory. As Carroll (1999) claims, most academics believe that Bowen’s (1953) work marks the beginning of the modern period literature on CSR and therefore he can be accepted as the ‘Father of Corporate Social Responsibility’ (Carroll 1999, p. 270).

2.2.1.1 CSR in the 1960s

Even though the literature of the 1960s is not strongly discussed in the CSR discourse, there was significant formalisation of the concept during this period. Some prominent writers of the decade were Keith Davis, Joseph W. McGuire, William C Frederick and Clarence C. Walton. Each has their own interpretations of CSR but all of them unanimously agree on the fact that business responsibility should exceed the economic interests of the organisation.

Davis (1960, p. 70) suggests that ‘social responsibility refers to the businessmen's decision and action taken for reasons, at least, partially beyond the firm's direct economic and technical interest’. CSR being a nebulous idea, he believed, could possibly bring enduring economic gains to the organisation as a return for its socially responsible stance. His ‘Iron law of responsibility' states: 'social responsibilities of businessmen need to be commensurate with their social power', echoing the significance of 'social values' and 'corporate power' previously identified by Bowen (1953) and Berle and Means (1932) respectively. In 1961, Eells and Walton also expressed their concerns about corporate power by explaining CSR in terms of problems that arise when a corporate enterprise casts its shadow on the social scene and the ethical principles that ought to govern the relationships between the corporation and society.

Another early proponent of CSR, Frederick (1960) defines it as the use of society’s resources, economic and human, in such a way that the whole society derives maximum benefits beyond the corporate entities and their owners. His explanation clearly indicates that the responsibility of management is not just creating wealth for the business, but for the society too. Further attempts by McGuire (1963) to elaborate the construct ‘CSR’, support Frederick’s approach by focussing on the firm’s obligations extending beyond the economic and legal domains, to include employee and community welfare and the political and educational needs of the society. Following this, the notion of 'voluntarism' was acknowledged for the first time by Walton (1967) in his book Corporate Social Responsibilities. Walton was of the opinion that the social responsibility of a corporation
always includes a certain degree of voluntarism, since companies have to accept that costs are involved in social actions without any measurable economic return (Walton 1967). He also argues that external stakeholders have a different set of priorities and enterprises have choices, voluntary actions to meet the expectations of external stakeholders. This demonstrates that Walton saw a link between a firm’s social responsibility and its financial performance. But in contrast to Davis’s (1960) view, he saw a negative correlation because of the unquantifiable benefits of CSR activities.

The real debate was instigated when Friedman (1962) strongly opposed the doctrine of CSR as ‘fundamentally subversive’. According to him, the only responsibility of the management is to maximise the profits of its owners and shareholders. As an economist, he believed, only individuals can have responsibilities. However, there were numerous criticisms from various authors challenging his extremist view.

As formal CSR concepts started evolving, most of the literature documented in this period was in response to the emerging structure of large corporations and their responsibilities beyond their legal and economic interests. The early writings of Bowen (1953), Davis (1960), Frederick (1960), McGuire (1963) and Walton (1967) indicate that firms and businessmen are expected to look at concerns that are wider than the technical and economic aspects of the organisation. Such theories can be considered as the basic foundations of the modern CSR which were refined in later years.

**2.2.1.2 CSR in the 1970s**

In the 1970s, the number of authors writing and making reference to CSR increased rapidly. The first reference to stakeholders was made in Harold Johnson’s (1971) *Business in contemporary society: framework and issues*. The conventional of CSR is identified by Johnson (1971, p. 50) as being that ‘a socially responsible firm is one whose managerial staff balances a multiplicity of interests instead of striving only for larger profits for its shareholders’. The second pluralistic definition according to Johnson (1971, p. 59) is that ‘social responsibility assumes that the prime motivation of the business firm is profit maximisation; the business seeks multiple goals rather than only profit maximisation’, and Johnson further listed the possible interested parties. This can be perceived as a forerunner of stakeholder theory on CSR participation. Johnson believed, a business can rank its goals and assign an importance to each target accordingly.
One of the most important contributions to the definition of CSR was made by the Committee for Economic Development (CED) in 1971. The CED articulated a triple concentric model of the concept. The inner circle includes the clear-cut basic responsibilities for the efficient execution of economic functions like productivity, job and economic growth reflecting Friedman’s (1962) notion of ‘business responsibility’. The intermediate circle encompasses responsibility of economic function in regard to changing social values and priorities, such as environmental conservation, employee relations and more rigorous expectations of customers for information, fair treatment and protection from injury. The outer circle outlined newly emerging and still amorphous responsibilities that the business should assume to become more broadly involved in actively improving the social environment. Figure 2.2 below is a presentation of the CED model.

**Figure 2.2**

CED model of CSR

- **Inner circle**: Clear-cut basic responsibilities
- **Intermediate circle**: Exercise economic function with awareness of social values
- **Outer circle**: Newly emerging responsibilities that business should strive to become more broadly involved in for improvement of social environment

*Source: Adapted from Carroll (1999)*
Carroll describes the CED’s model as ‘a landmark contribution to the concept of CSR’ which illustrates the changing relationship between business and society (Carroll 1999, p. 274). She adds:

Business is being asked to assume broader responsibilities to society than ever before and to serve a wider range of human values. Business enterprises, in effect, are being asked to contribute more to the quality of American life than just supplying quantities of goods and services. In as much as business exists to serve society, its future will depend on the quality of management’s response to the changing expectations of the public (CED in Carroll 1999, p. 274).

Even though this definition provides an integrated approach to CSR with business, employees, society and its environment, it still fails to explain how organisations can respond to show their responsiveness. This shift in the paradigm of CSR from ‘the philosophical and moral obligation’ (CSR1) to ‘the managerial and organizational action’ (CSR2) was later documented by Frederick (1978). While CSR1 tends to be reactive, responding to the business environment and social pressures, CSR2 is proactive and anticipatory, aiming to impact and change enterprise environments and thereby business performance. Within a CSR2 conception of CSR, it is the business which decides on the level of its social response and economic issues take clear precedence over social issues (Frederick 1986; Sethi 1975, 1979). CSR2 also reflected the dominant values of corporate culture and the defence of the corporate status quo (Frederick 1986) and thereby, instrumental reasoning became immune by the normative evaluation. In other words, CSR2 downplayed CSR1’s emphasis on values, human rights and social justice.

In response to the CED’s (1971) separation of economic and the broader social responsibilities across stakeholders, Davis (1973) contended that CSR is a firm’s response to issues beyond the narrow economic, technical and legal requirements of a firm and therefore it begins where the law ends. Other researchers of this period had similar views. As they noted, CSR was distinguished by its long (as opposed to short) term managerial focus (Steiner 1971) and by its discretionary rather than mandated actions (Manne & Wallich 1972).

The concept of community in CSR literature was introduced by Eilbert and Parker (1973). They define CSR using the term ‘neighbourhood’: ‘perhaps the best way to understand social responsibility is to think of it as good neighbours’ (p. 7). The concept involves two phases.
On one hand, it means not doing things that ‘spoil’ the neighbourhood, and on the other, it might be expressed as the voluntary obligation to help solve neighbourhood problems such as racial discrimination and pollution.

Eells and Walton (1974) took a broader view of corporate activities which could be assumed as moving towards the concept of social license that was to emerge more fully nearly thirty years later. They suggested that a corporate executive must remain grounded in his philosophy, open in his attitude and able to take decisive actions that are immediately profitable and compatible with the accepted values of his society.

Sethi (1975) expounded a similar idea based on enterprises as an integral part of the society. He proposed a three-tiered model that classified corporate behaviour in terms of increasing levels of commitment by enterprises, namely, social obligation (a response to legal and market constraints); social responsibility (congruent with societal norms); and social responsiveness (adaptive, anticipatory and preventive). In Sethi’s view, social responsibility goes beyond social obligation and includes the need to bring corporate behaviour up to a level where it is congruent with the prevailing social norms, values and expectations of performance.

Towards the middle of this period, Ackerman and Bauer (1976) proposed a sociological view of CSR. According to them, CSR2 abandoned the conceptual emphasis on CSR1 in favour of an operational focus which involved ‘an effort to treat as a management issue one which had been predominantly treated as a social and/or ethical issue’ (Ackerman & Bauer, 1976, p. vii). They define the social responsibility of an enterprise in terms of its impact on its constituencies: its employees, customers, owners, vendors, and the immediate and larger communities. Ackerman and Bauer make three major contributions to the debate on CSR. Firstly, they argue that the success of CSR programs is dependent on the chief executive officers of large companies and owners in SMEs, who should be champions in displaying business responsibility. Secondly, they argue that enterprises should be proactive and lastly, that both external and internal stakeholders can participate in CSR. Until this time, CSR was viewed as being either a reactive (corporate social responsibility) or a proactive (corporate social responsiveness) process and therefore very little information about the types of CSR was available. The question still remained, however, of reconciling the firm’s economic orientation with its social orientation.
A step towards addressing this confusion was taken by Carroll after putting forward a comprehensive explanation of CSR. Carroll (1979) developed a four-part corporate social performance model (Figure 2.3) that accommodates Friedman’s (1970) view of the responsibilities of the firm. The component parts are focused on the capitalistic and societal expectations. In its first conception, the framework was developed from a retrospective developmental perspective, based on the claim that the ‘history of business suggests an early emphasis on the economic and then legal aspects and later a concern for the ethical and discriminatory aspects’ (Carroll 1979, p. 500). She explains that the four classes ‘are simply to remind us that motive or actions can be categorised as primarily one or another of these four kinds’ (p. 500). The order and relative weighting of these classes of motives is ‘to suggest what might be termed their fundamental role in the evolution of importance’ (p.500). Finally, she suggests that, ‘although the components are not mutually exclusive, it helps a manager to see that the different types of obligations are in a constant tension with one another’ (Carroll 1991, p. 42).

**Figure 2.3**

Social responsibility categories

- Discretionary Responsibilities
- Ethical Responsibilities
- Legal Responsibilities
- Economic Responsibilities

Source: Carroll (1979)
Interestingly, Carroll’s (1979) inclusion of economic and legal responsibilities within social responsibility is contradictory to numerous views like that of Davis (1973) who explains social responsibility as something that begins where the law ends.

2.2.1.3 CSR in the 1980s

One of the first noteworthy definitions in the 1980s was that of Thomas M. Jones. He defines CSR as the ‘notion that corporations have an obligation to constituent groups and society other than stockholders and beyond that prescribed by law and union contract’ (Jones 1980, p. 59). He acknowledges that business and society are interwoven as opposed to being distinct entities. Carroll (1999) points out that a key part of the above definition is how ‘this obligation is broad and voluntary’.

In 1981, Frank Tuzzolino and Barry Armandi developed a more effective tool for assessing CSR using Carroll’s (1979) definition of CSR and Maslow’s (1954) hierarchy of needs model. They explained the different needs of various organisations. Their organisational need hierarchy did not redefine CSR, but suggested that organisations, like individuals, have needs they want to fulfil. A similar attempt was made by Dalton and Cosier (1982) in their 2x2 matrix model, where CSR has four faces – responsible, irresponsible, legal and illegal. However, these factors were difficult to interpret in different contexts (Carroll 1999).

Numerous authors had tried to develop tools for assessing CSR by the time Freeman (1984) published his landmark book Strategic Management: A Stakeholder Approach. Freeman’s book provides the basis for stakeholder theory which is widely accepted by contemporary business organisations as a useful way of investigating an organisational approach to CSR. Though the book is classified as one focusing on strategic management, its most substantial impact has been in the fields of business and society, corporate social responsibility and eventually business ethics. Freeman’s approach was taken into consideration in this research in the investigation and interpretation of the SMEs’ involvement in CSR.

Wartick and Cochran (1985) developed another model based on Carroll’s (1979) construct of corporate social performance, acknowledging the primacy of economic performance. Their corporate social performance model extends the three-dimensional integration of responsibility, responsiveness and social issues that Carroll (1979) had previously introduced as a framework of principles, processes and policies. They argue that Carroll’s CSR definition embraces three ethical components: social responsibility, which should be thought
of as principles; social responsiveness, which should be thought of as processes; and social issues management, which should be thought of as policies (Wartick & Cochran 1985, p. 767).

Epstein (1987) defines CSR as ‘achieving outcomes from organizational decisions concerning specific issues which have beneficial rather than adverse effects on pertinent corporate stakeholders’ (p. 104). He viewed the three concepts – social responsibility, social responsiveness and business ethics as ‘corporate social policy processes’. The most interesting aspect of Epstein’s definition of CSR and ‘corporate social policy process’, is the use of ‘outcomes’ and ‘processes’. He explains CSR as the achievement of certain outcomes but when viewed with other constructs, such as business ethics and social responsiveness, it was part of the process. This idea somewhat contradicts Jones’s (1980) definition of CSR as a process in and of itself. As evident from these two contrasting perspectives, CSR continued to be enigmatic.

2.2.1.4 CSR in the 1990s

The prominent themes which continued to grow and take centre stage in the 1990s include corporate social performance (CSP), stakeholder theory, business ethics, sustainability and corporate citizenship. Wood (1991) criticises Carroll’s (1979) approach as involving steps and phases of responsibility. She views the responsibilities defined by Carroll as being delimited and therefore she considers them to be ‘isolated domains’. Based on the interconnection between the firm and the society, Wood (1991) superimposes the responsibility categories of CSR with three levels of analysis and allocates principles to them through her own interpretation. She suggests that the principle of legitimacy becomes effective on the ‘institutional’ level which states a business must not use its power without justified reasons. From the ‘organisational’ level, the principle of public responsibility suggests firms will be responsible for their actions which affect the society directly or indirectly. Finally, on the ‘individual’ level, managers need to be constantly aware of the need to act according to moral points of view.

Wood (1991) even turned Carroll's (1979) responsibility pyramid upside down to include the interconnection between corporations and society. Simultaneously, she assigned the pyramid with three distinct levels – the principle of corporate social responsibility, the principle of corporate social responsiveness and the outcomes of corporate behaviour. This model
proposes that the moral responsibilities of individual managers to make ethical decisions are the basis of CSR components, followed by the organisation's obligation to obey social and legal norms. According to Kang and Wood (1995), if these CSR conditions are met, the firm will be free to make a profit.

Global influences on CSR continued in the 1990s as the roles of business and government continued to blur. In 1997, Solomon argued:

New businesses are often the most powerful institutions in the world and the expanse of social responsibility has enlarged to include areas formerly considered as the domain of governments ... The more powerful businesses become, the more responsibility for the well being of the world it will be expected to bear (Solomon 1997, p. 202).

As the new millennium approached, Carroll (1999, p. 292) also suggested that the CSR concept will remain as an essential part of the business language and practice because it is a vital underpinning to many of the theories and is continually consistent with what the public expects of the business community today.

The table below lists the major authors and their views on the social responsibility of businesses until the beginning of the 21st century.

Table 2.1
Definitions of CSR

<table>
<thead>
<tr>
<th>Authors (year)</th>
<th>Definitions/Conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bowen (1953)</td>
<td>The obligations of businessmen to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society.</td>
</tr>
<tr>
<td>Davis (1960)</td>
<td>Social responsibilities of businessmen need to be commensurate with their social power.</td>
</tr>
<tr>
<td>Frederick (1960)</td>
<td>The use of society's resources, economic and human, in such a way that the whole society derives maximum benefits beyond the corporate entities and their owners.</td>
</tr>
<tr>
<td>Eells and Walton (1961)</td>
<td>Problems that arise when corporate enterprise casts its shadow on the social scene and the ethical principles that ought to govern the relationships between the corporation and society.</td>
</tr>
<tr>
<td>Authors (year)</td>
<td>Definitions/Conclusions</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Johnson (1971)</td>
<td>A socially responsible firm is one whose managerial staff balances a multiplicity of interests instead of striving only for larger profits for its shareholders.</td>
</tr>
<tr>
<td>Eilbert and Parker (1973)</td>
<td>The best way to understand social responsibility is to think of it as a good neighbour.</td>
</tr>
<tr>
<td>Eells and Walton (1974)</td>
<td>The corporate executive must remain grounded in his philosophy, open in his attitude and able to take decisive actions that are at once profitable and compatible with the accepted values of his society.</td>
</tr>
<tr>
<td>Sethi (1975)</td>
<td>Being an integral part of the society, enterprises should fulfil social obligations, social responsibility and social responsiveness.</td>
</tr>
<tr>
<td>Ackerman and Bauer (1976)</td>
<td>Social responsibility is the business impact affecting the constituents of the enterprise.</td>
</tr>
<tr>
<td>Carroll (1979)</td>
<td>Suggested an early emphasis on economic, then legal and finally concern for ethical and discriminatory aspects.</td>
</tr>
<tr>
<td>Jones (1980)</td>
<td>Notion that corporations have an obligation to constituent groups and society other than stockholders and beyond that prescribed by law and union contract.</td>
</tr>
<tr>
<td>Epstein (1987)</td>
<td>Achieving outcomes from organizational decisions concerning specific issues which have beneficial rather than adverse effects on pertinent corporate stakeholders.</td>
</tr>
<tr>
<td>Wood (1991)</td>
<td>Moral responsibilities of individual managers to make ethical decisions are the most basic of CSR components, followed by the organisation's obligation to obey social and legal norms.</td>
</tr>
</tbody>
</table>

Source: Prepared for this study

The definitions and concepts of CSR stated above reflect how the theory emerged, evolved and developed in the past decades. The following section, Section 2.1.5, outlines the current thinking and major academic contributions to this area in the 21st century.
2.2.1.5 CSR in the 21st century

The 21st century has been dominated by several wide-ranging topics including international trade, concerns over energy supply, global warming, the explosion in telecommunications, a growing concern with international terrorism and an escalation of social issues which first became prominent in the 1990s.

Along with the development of global business, recent literature appears to be moving away from a US-dominated discourse to a more international one. Academics like Maignan and Ralston (2002), Aaronson (2003), Perrini et al. (2006) and Lucas et al. (2001) studied CSR in France, Netherlands, UK, Italy and Australia. They extended the debate to other countries and compared national perceptions of CSR along with its role in the global society.

Another group of researchers attempted to establish the relationship between social performance and the financial outcome of the organisations. Whilst Orlitzky (2005) found participation in socially responsible activities reduces the financial risk of businesses, Hopkins’ (2003) study of top 10 UK companies failed to validate this finding.

For the first time, several studies of this period aimed to examine CSR in SMEs (Grayson 2004; Spence et. al. 2000; Spence and Rutherford 2003; Tilley 2000). Jenkins (2004) and Castka et al. (2004) criticise the word ‘corporate’ in the term CSR as misleading because it fails to accommodate and appreciate socially responsible actions undertaken by smaller organisations. Brenkert (2002, p. 34) goes as far as saying that ‘business ethicists have treated the ethics of entrepreneurship with benign neglect’. After exploring the characteristics of SMEs in comparison to large organisations, Spence (2007) justifies implementing CSR policies that consider the capacities and capabilities of both the business sectors.

In 2006, Francesco Perrini came up with a suggestion for the use of theories to investigate CSR. He suggested that CSR in large firms should be based on stakeholder theory while CSR in SMEs should be understood through the application of social capital theory. Later, Russo and Perrini (2009) modified the above conclusion and restated it as ‘social capital and stakeholder theory should be taken as alternative ways of explaining CSR in large organisations and SMEs’. They also opined that SME–CSR relations are better explained in terms of social capital, although it should be accompanied by the stakeholder view of the firm.
Finally, the following statement of Horrigan (2007, p. 85) best portrays the status of CSR at the end of 21st century’s first decade:

It is also a story of the emergence of a distinctive CSR movement. Both the developed and developing worlds are rapidly reaching the point where they must decide if today’s global CSR movement is a passing social fad, a threat to economically efficient corporate capitalism, an intrinsic element of corporate responsibility, or even a key to humanity’s long-term survival. CSR literacy is quickly becoming a primary imperative for a variety of actors in a multiplicity of roles across governmental, business, and community sectors nationally and internationally.

2.2.1.6 CSR in this research

Whilst CSR emerged in the US to control irresponsible social behaviour of large organisations, it is not limited to the fulfilment of economic and legal responsibilities, the two most basic components of CSR identified by Carroll (1979). As a rational argument for CSR, William and Chandler (2010) state:

In today’s globalised world, where individuals and activist organisations feel empowered to enact change, CSR represents a means of anticipating and reflecting societal concerns to minimise operational and financial constraints on business (p. 17).

From a moral perspective, they believe success in business comes as much from actions that are congruent with social values as from factors internal to the company. The economic argument put forward by these authors reflects a similar significance of the community when they explain CSR as the way of matching corporate operations with societal values and expectations that are constantly evolving. And also believe that companies need to build a watertight image as a firm’s attractiveness and success are increasingly linked to the strengths of its image and brand.

Such views of CSR in recent literature clearly demonstrate the present nature and probable future directions of the construct. The ethical and philanthropic responsibilities of businesses are becoming more and more blurred with their economic and legal responsibilities. Further, the ‘watertight image’ that William and Chandler (2010) discuss could hardly be achieved through the fulfilment of economic and legal responsibilities. Rather, it is by honouring their moral responsibilities that businesses can help to build their reputations (Porter & Kramer
Even though Carroll (1991) mentions that these categories of social responsibility are not mutually exclusive, rising social awareness and expectations have left little room for managers to differentiate and prioritise individual categories of social responsibility.

Anticipating the future direction of CSR theory, this research adopted Jones’ (1980) broader definition of CSR as a ‘notion that corporations have an obligation to constituent groups and society other than stockholders and beyond that prescribed by law and union contract’ (p. 59–60).

2.2.2 STAKEHOLDER THEORY

Section 2.2.1 provided an overview of the evolution of CSR and the recent developments in this area. This laid the foundation needed for an analysis of the literature of stakeholder theory, one of the theoretical frameworks that are often applied in the investigation of CSR practices in businesses. Stakeholder theory basically relates to organisational management and business ethics and addresses the morals and values involved in the management of an organisation (Freeman 1984). Whilst this theory is popular in fields like strategic management, finance, accounting, marketing, law and public policy, its greatest contribution has been in shaping and defining the concepts of CSR and business ethics.

2.2.2.1 Origin of Stakeholder Theory

The term 'stakeholder' first appeared in management literature in an internal memorandum at the Stanford Research Institute (SRI) in 1963 (Freeman 1984, p. 31). SRI defined stakeholders as those ‘groups on which the organisation is dependant for its continued survival’. This definition is based on the traditional view of the firm, and limits its focus to shareholders as the owners whose needs are the only goals of the business.

Since its introduction, the concept has been consistently embedded in organisational life and is therefore difficult to discount in any management literature. However, it was not until 1984, when Freeman integrated stakeholder concepts into a coherent construct and defined stakeholders as ‘any group or individual who can affect or is affected by the achievement of the firm's objectives’ (p. 47). The core idea underlying this concept is that organisations are required to address a set of stakeholder expectations and management choice is a function of
stakeholder influences (Brenner & Cochran 1991). Jones and Wicks (1999) summarise the basic tenets of stakeholder theory as follows:

(i) the corporation has relationships with many constituent groups (stakeholders) that affect and are affected by its decisions,

(ii) the theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders,

(iii) the interest of all (legitimate) stakeholders has intrinsic value, and no set of interests is assumed to dominate the others, and

(iv) the theory focuses on managerial decision making.

Stakeholder theorists did not reject Friedman’s (1962) idea of profit maximisation as the only goal, and nor did they support the view that managers only have moral obligations toward shareholders. To summarise, stakeholder theorists have argued for two basic premises: (i) to perform well, managers need to pay attention to a wide array of stakeholders (e.g. environmental lobbyists, the local community, competitors), and (ii) managers have obligations to stakeholders which include, but extend beyond shareholders. Regardless of which of these two perspectives individual stakeholder theorists emphasise, almost all of them relate to the ‘hub and spoke’ model (Bowie 2002) depicted in Figure 2.4 which displays a range of firm–stakeholder relationships.

**Figure 2.4**

**Hub and spoke stakeholder diagram**

Source: Bowie (2002)
In 2002, Freeman defined stakeholder theory as being to do with the redistribution of benefits and important decision-making power to all stakeholders. Once again, there was no indication of the level of importance that each group of stakeholders should be attributed. Eventually, Freeman with his co-authors (Dunham et al. 2006) provided a direction to this long-lasting confusion. They used the terms cooperation and collaboration to rank all stakeholders into two different groups:

We hypothesise that a firm ought to interact with other communities that it affects or is affected by, seeking to understand their perspectives, listen to their preferences, and evaluate the impacts on them. Such interaction is best characterised as… cooperation… it ought to be in closer community with those upon whom it relies for support – employees, suppliers and customers. Such interaction requires deeper commitment than that necessary for the first set of communities. It requires a more active pursuit… – sharing interest, actions, and values. The firm’s interaction with these groups must be… collaboration (Dunham et al. 2006, p. 38 cited in Stieb 2009).

In the book Stakeholder Theory: The State of the Art, Freeman et al. (2010) mention that stakeholder theory is compatible with Friedman’s (1962) maximising of shareholder value since ‘the only way to maximise value sustainably is to satisfy stakeholders’. To explain the difference between the two approaches, Freeman et al. (2010) states:

Friedman believes successful business means ‘… it is maximising profits’. We believe that in order to maximise profits, companies need great products and services that customer want, solid relationship with suppliers that keep operations on the cutting edge, inspired employees who stand for the company mission and push the company to become better, and supportive communities that allow businesses to flourish (p. 11).

Steib (2009) vehemently argues against Freeman’s (2002) claim that he could ‘revitalise the concept of managerial capitalism by replacing the notion that managers have a duty to stockholders with the concept that managers bear a fiduciary relationship to stakeholders’ (p. 39). He further criticises Freeman and Phillip’s (2002) Stakeholder theory: A Libertarian Defence on the grounds that different opinions and interpretations of stakeholder theory put forward by Freeman et al. are contradictory. Several other authors (Elms, Berman & Wicks 2002; Key 1999) also question the credibility of this theory claiming that it lacks a theoretical
foundation that can be tested. Nevertheless, as Key et al. (2004) mention, the stakeholder approach still extends the ability to investigate issues like CSR in business management theories.

2.2.2.2 Definitions of Stakeholder

Since the publication of Freeman’s (1984) stakeholder theory, a large body of literature on stakeholders has developed which is varied in nature and to some extent confusing as different researchers used different theories with different aims and assumptions under the label of stakeholder theory (Deegan & Unerman 2006). The range of ‘stakeholder’ definitions contributed by previous researchers (provided below) explain how the concept varied as the theory continued to consolidate.

<table>
<thead>
<tr>
<th>Source (year)</th>
<th>Stakeholder definitions/explanations</th>
</tr>
</thead>
</table>
| Freeman and Reed (1983, p. 91)    | Wide definition: 'can affect the achievement of an organisation's objectives or who is affected by the achievement of an organisation's objectives'  
Narrow definition: 'on which the organisation is dependant for its continued survival' |
| Freeman (1984, p. 46)             | 'can affect or is affected by the achievement of the organisation's objectives'                       |
| Evan and Freeman (1988, p. 79)    | 'benefit from or are harmed by, and whose rights are violated or respected by, corporate actions'     |
| Freeman and Evan (1990)           | Contract holders                                                                                   |
| Goodpastor (1991)                 | Strategic or moral?                                                                                |
| Hill and Jones (1992, p. 133)     | 'Constituents who have a legitimate claim on the firm established through the existence of an exchange relationship'  
who supply 'the firm with critical resources (contributions) and in exchange each expects its interests to be satisfied (by inducements).' |
| Carroll (1993, p. 60)             | 'Asserts to have one or more of the kinds of stakes in business' – may be affected or affect......  |
Table 2.2
Definitions of Stakeholder (continued)

<table>
<thead>
<tr>
<th>Source (year)</th>
<th>Stakeholder definitions/explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freeman (1994, p. 15)</td>
<td>Participants in 'the human process of joint value creation'</td>
</tr>
<tr>
<td>Wicks, Gilbert and Freeman (1994, p. 483)</td>
<td>'interact with and give meaning and definition to the corporation'</td>
</tr>
<tr>
<td>Clarkson (1995, p. 106)</td>
<td>'bear some form of risk as a result of having invested some form of capital, human or financial, something of value, in a firm' or 'are placed at risk as a result of a firm's activities'</td>
</tr>
<tr>
<td>Donaldson and Preston (1995, p. 85)</td>
<td>'Persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activities.'</td>
</tr>
<tr>
<td>Mitchell et al. (1997)</td>
<td>Stakeholder salience is determined by possession of two or more attributes: power, legitimacy and urgency.</td>
</tr>
<tr>
<td>Freeman (2002)</td>
<td>‘…redistribution of benefits….redistribution of important decision-making power to all stakeholders’</td>
</tr>
</tbody>
</table>


From the above definitions, it is evident that whilst Freeman (1984) initially focused on power relationships, Clarkson (1995), Donaldson and Preston (1995) and Evan and Freeman (1988) define stakeholders based on legitimate moral claims against enterprises. Freeman and Evan (1990) give importance to contractual relationships; Mitchell et al. (1997) give importance to power, legitimacy and urgency and Goodpastor (1991) give importance to enterprise ethics.
2.2.2.3 Major Distinctions of Stakeholder Theory

The classifications of stakeholders by different scholars aim to assign each group (stakeholder) a relative importance, which an organisation should consider in order to reach its objectives even though the initial version of stakeholder theory (Freeman 1984) offers no explanation in regards to this.

Goodpastor (1991) categorises stakeholders into strategic and moral groups, based on the notion of ‘the corporation with a conscience’. According to Goodpastor, a strategic stakeholder is able to impact on the profitability of an enterprise, and consequently their interests demand attention. A moral stakeholder is one who is affected by an enterprise with relations being in both directions. However in practice, Goodpastor argues that management needs to consider the ethical grounds while formulating business strategies and therefore these groups can hardly be mutually exclusive.

Evan and Freeman (1993) classify stakeholders as being narrow or wide/broad, where the criterion for selection into each category is the extent to which stakeholders are affected by the organisations’ policies and strategies. Narrow stakeholders (those who are the most affected) usually include shareholders, management, employees, suppliers and customers that are dependent on the organisation's output. Wider stakeholders (those who are less affected) may typically include government, less-dependent customers, the wider community (as opposed to the local community) and other peripheral groups. While ‘narrow’ stakeholders are too abstract in the sense that this categorisation focuses on people who are involved with the organisation in economic terms, ‘wider’ stakeholders might change rapidly in a dynamic business environment (Waddock & Graves 1997).

Clarkson (1995) draws a distinction between primary and secondary stakeholders. He considers primary stakeholders to be those without whose continuing participation the corporation cannot survive as a going concern. The high level of interdependence between the enterprise and this set of stakeholders (shareholders, investors, employees, customers and suppliers) is crucial for the company’s existence. In comparison to Evan and Freeman (1993), who view stakeholders as being (or not being) those who are influenced by an organisation, Clarkson considers the influence in an opposite direction where stakeholders could potentially affect the organisation. He defines secondary stakeholders as those who are not engaged in transactions with the enterprise and are not essential for its survival. Clarkson also
mentions that due to the changing nature of enterprises’ activities, strategic managers focus on the concerns of both primary and secondary stakeholders.

In an attempt to classify the motivations of organisations when they respond to stakeholder concerns, Donaldson and Preston (1995) identify three views – instrumental, descriptive and normative. According to the instrumental view, firms react to stakeholder opinions only when they are consistent with other, more important economic objectives like profit maximisation. Instrumental stakeholder research makes prescriptions, but does not question the moral legitimacy of the goals themselves. Descriptive stakeholder research analyses stakeholder management as it is found in actual organisations. It makes no prescriptive or normative assertions about the desirability of stakeholder management. Normative stakeholder theory addresses directly the moral justification of the organisation and the ethics of stakeholder management. Donaldson and Preston (1995) conclude that all three are vital to the stakeholder research, but that the normative view is fundamental to all.

Another noticeable characteristic of the concept is the dynamics of stakeholders. This was acknowledged by Freeman (1984) and according to him, in reality, stakeholders change over time and their stakes depend on the strategic issue under consideration. Alkhafaji (1989) also contributes to the understanding of this concept and redefines stakeholders as the ‘groups to whom the corporation is responsible’ at a given point of time.

Mitchell, Agle and Wood (1997) developed a stakeholder salience model which categorises the importance of stakeholders depending on their salience. They propose that classes of stakeholders can be identified by the possession of one or more of three attributes: power, legitimacy and urgency. By including urgency as an attribute, a dynamic component mentioned by Freeman (1984) and Alkhafaji (1989) was added to the process whereby stakeholders attain salience in the minds of managers. By combining these attributes, Mitchell et al. (1997) generated a typology of stakeholders.

According to Mitchell et al.’s classification of stakeholders (Figure 2.5), if a stakeholder possesses only one of the three attributes, they are called latent stakeholders and have low stakeholder salience. Among these latent stakeholders, if the only attribute is power, then they are called dormant stakeholders (Area 1 in Figure 2.5); if their only attribute is legitimacy, they are called discretionary stakeholders (Area 2 in Figure 2.5) and if their only attribute is urgency, then they are termed as demanding stakeholders (Area 3 in Figure 2.5). Stakeholder salience is moderate if two attributes are present and such stakeholders are called
expectant stakeholders. Among the expectant stakeholders, those having power and legitimacy are dominant stakeholders (Area 4 in Figure 2.5); those having legitimacy and urgency are dependent stakeholders (Area 6 in Figure 2.5) and those with power and urgency are called dangerous stakeholders (Area 5 in Figure 2.5). If all three elements are apparent in a stakeholder relationship (Area 7 in Figure 2.5), then management have a clear and immediate mandate to attend and give priority to that stakeholder's claim. Stakeholders that have none of the three attributes are identified as non-stakeholders (Area 8 in Figure 2.5). Further, the dynamic qualities are accommodated by explaining how stakeholders can shift between classes by attaining or losing one or more attribute.

Figure 2.5

Model of stakeholder salience

![Venn diagram showing the classification of stakeholders based on power, legitimacy, and urgency.]


Since this investigation requires the researcher to keep his mind open and understand the actual scenario, Freeman’s (1984) explanation was chosen as it is the widest of all stakeholder definitions in the literature and the stakeholder salience model developed by Mitchell et al. (1997) was used to classify stakeholders according to their possession of the three attributes discussed above.
2.2.3 SOCIAL CAPITAL THEORY

The term social capital, broadly speaking, refers to social networks, the reciprocities that arise from them and the value of these in the business environment. Social capital has become an influential concept in debating and understanding organisational management. This emerging body of theory has been hailed as a critical link between the fields of economics, sociology and political science, signifying a reconvergence of consideration of the economy within a complex social and institutional environment. This theory has gained importance in CSR studies, particularly those that investigate the concept from the perspective of smaller businesses.

2.2.3.1 Origin of Social Capital Theory

The earliest use of the phrase 'social capital' has been ascribed to Hanifan (1916, p. 130), who argued that local school performance could be enhanced by 'those tangible substances that count for most in the daily lives of people, namely goodwill, fellowship, sympathy and social intercourse among the individuals and families that make up a social unit'. After Hanifan, the idea of social capital disappeared for several decades but was reinstated in the 1950s by a team of Canadian urban sociologists (Secley, Sim & Loosely 1956), in the 1960s by an exchange theorist (Homans 1961) and an urban scholar (Jacobs 1961), and in the 1970s by an economist (Loury 1977). None of these writers, interestingly, cited earlier work, but all used the same umbrella term to encapsulate the vitality and significance of community ties. However, inspiration for most of the current work on the subject was provided by the seminal research of Coleman (1988) on education and Putnam (1993) on civic participation and institutional performance. Whilst it is accepted that social economists build their foundation on the sociological concepts of Bourdieu (1986) and Coleman (1988), mainstream economists consider Putnam et al.'s (1993) association activity more relevant.

2.2.3.2 The Concept of Social Capital

The range of definitions attached to this term leads to justifiable confusion about what constitutes 'social capital'. It is an attractive idea and its putative positive outcomes are often considered intuitive. However it is hard to encapsulate in a single sentence and because its measurement continues to defy simple quantification, debates regarding its conceptualisation continue. Woolcock (1998) suggests that the concept ‘risks trying to explain too much with
too little and is being adopted indiscriminately, adapted uncritically, and applied imprecisely’ (cited in Lynch et al. 2000, p. 404).

According to Putnam (2000, p. 23), social capital has ‘forceful, even quantifiable effects on many aspects of our lives’ and it is more than just ‘warm, cuddly feelings or frissons of community pride’. These quantifiable effects include lower crime rates (Halpern 1999; Putnam 2000), better health (Wilkinson 1996), improved longevity (Putnam 2000), better educational achievements (Coleman 1988), greater levels of income equality (Kawachi et al. 1997; Wilkinson 1996), improved child welfare and lower rates of child abuse (Cote & Healy 2001), less corrupt and more effective government (Putnam 1995) and enhanced economic achievement through increased trust and lower transaction costs (Fukuyama 1995). All of these end results, as identified by Woolcock (2001, p. 12), mean well-connected people are more likely to be ‘housed, healthy, hired and happy’.

2.2.3.3 Theoretical Aspects of Social Capital

There are two theoretical models underpinning the concept of social capital (Davies 2001) – the Neo-Marxist model and the Neo-Liberalist model. The former is typified by Bourdieu while the latter by Putnam. A neo-Marxist approach mostly emphasises access to resources and issues of power in society. As Baum (2000) suggests, Bourdieu focussed on the role played by different forms of capital in the reproduction of unequal power relations. However, Coleman takes a more rational perspective and suggests that:

Social capital is defined by its function, it is not a single entity, but a variety of different entities having characteristics in common: they all consist of some aspect of a social structure, and they facilitate certain action of individuals who are within the structure (Coleman 1990, p. 302).

According to Coleman, there are three forms of social capital: firstly, obligations and expectations which depend on the trustworthiness of the social environment; secondly, the capacity of information to flow through the social structure in order to provide a basis for action; and thirdly, the presence of norms. However, Coleman does not provide a proper distinction between the resources based on the ability to obtain them by virtue of membership in different social structures, a distinction which is explicit in Bourdieu's interpretation.

Fukuyama (1995) well known for his integration of social capital and trust, working within an economic framework as opposed to a sociological perspective like Coleman or a political
science perspective like Putnam. Passey (2000) explains that Fukuyama attempted to compare the relative economic performance of different nations and cultures on the basis of differing levels of trust. It is this same level of trust inherent in a given society that determines its prosperity and degree of democracy, as well as its ability to compete economically.

The World Bank and the Organisation for Economic Co-operation and Development (OECD) have also valued the concept of social capital. The OECD define social capital as ‘networks together with shared norms, values and understandings that facilitate co-operation within and among groups’ (cited in Cote & Healy 2001, p. 41). The World Bank further argues that:

Social capital refers to the institutions, relationships, and norms that shape the quality and quantity of a society's social interactions. Social capital is not just the sum of the institutions which underpin a society – it is the glue that holds them together.

Putnam is accepted as the most influential theorist within the social capital paradigm. He along with Woolcock (2001) offers the most succinct definition of social capital. While Coleman and Bourdieu saw social capital as an attribute of an individual, Putnam considers it to be an attribute of a community. Putnam defines social capital as ‘....networks, norms and trust that enable participants to act together more effectively to pursue shared objectives’ (cited in Baron et al. 2000).

The interpretation of this concept as a form of capital provoked a range of responses. Bourdieu (1986) argues that, just as access to economic capital brings certain privileges to a group or individual, and cultural capital (such as familiarity with high art, literature or manners) sets a group or individual apart from their less privileged peers, social capital supplies the networks and connections – the ‘old school tie’ – which allow continued and future access to privilege. Ponthieux (2004, p. 4) explains Coleman’s viewpoint as:

Social capital is not produced; rather, it “happens”, a by-product of other activities. In an economic sense, it is not a capital, but an externality; and the fact that such an externality, in facilitating the actions of actors, might have positive outcomes does not make it a capital.

According to Putnam (1993, p. 167),

Physical capital refers to physical objects and human capital refers to properties of individuals, social capital refers to connections among individuals – social networks
and the norms of reciprocity and trustworthiness that arise from them….that can improve the efficiency of society by facilitating co-ordinated actions’.

Whilst Coleman usually refers to social capital as a possession of individuals, Putnam goes further, explicitly contrasting social capital, which he sees as the property of collectives in the form of connections among individuals, with personal properties such as human capital.

Theoretical understandings of social capital and its potential benefits have, however, raced ahead of much-needed empirical work. The lag between social capital theory and research is such that – despite developments achieved in recent research – a gulf exists between theoretical understandings of social capital and the ways it has been measured and put into practice in much research and policy to date (Paxton 1999; Stone 2000). In particular, the four major drawbacks of social capital theory (Stone & Hughes 2002, p. 7) are as follows:

(i) social capital measurement and practice is rarely theoretically informed,
(ii) empirical work rarely understands social capital as a resource to collective action,
(iii) there is a general failure in empirical work to recognise social capital as a multi-dimensional concept, and
(iv) there is a general failure to recognise that social capital will vary by network type and social scale.

**The concept of trust**

In the theory of social capital, trust is an important element. Some researchers (Woolcock 2001) consider trust as an outcome of social capital, whereas others (Cote & Healy 2001) view it as a component of the shared values that constitute social capital. Pretty and Ward (2001) suggests that trust is reinforced by sanctions which may be applied to those who flout social norms or fail in their social responsibilities.

Two types of trust are evident in the theory. The first type exists between individuals who know each other and the second type is the trust that that exists between unknown individuals. In the words of Putnam, this is ‘thick’ and ‘thin’ trust, where thick trust is seen as a property of intimate social networks and thin trust is seen as a generalised trust in other community members. But Putnam’s unitary notion of trust is challenged by Sixsmith (2001) who found social capital to be multi-dimensional.
Fukuyama (2000, p. 4) describes the same concept as a ‘radius of trust’, where a circle of people operate according to certain cooperative norms. Fukuyama also suggests that a narrow radius of trust produces a two-tier moral system, with good behaviour reserved for family and friends, and a lower standard of behaviour in the public sphere. As a result, social capital can potentially serve as a cultural foundation for corruption.

2.2.3.4 Types of Social Capital

Social capital is categorised in the literature as bonding, bridging and linking (Putnam 2000). Bonding social capital refers to relations amongst relatively homogeneous groups such as family members and close friends and is similar to the notion of strong ties. Bridging social capital refers to relations with distant friends, associates and colleagues. Such ties tend to be weaker and diverse but are often considered as more important for ‘getting ahead’. Such a concept is evident in Granovetter's (1973) *The Strength of Weak Ties* which explains the importance of weak ties as important resources for taking advantage of possible mobility opportunities. Linking social capital refers to the relations between individuals and groups in different social strata in a hierarchy where power, social status and wealth are accessed differently by different groups (Cote & Healy 2001). Woolcock (2001) extends this to include the capacity to leverage resources, ideas and information from institutions beyond the community. However, there are also synergetic or integrative views (e.g. Adler & Kwon 2002; Nahapiet & Ghoshal 1998) which suggest that with respect to practical action, a balanced approach is advisable.

An adverse effect of strong bonding capital is that it may serve to exclude individuals from heterogeneous groups, thereby creating a reactionary sectarian ideology (Elliot 2001). Halpern (1999) explains similar dark sides of social capital when organised crime gangs, involved in a social network with shared norms, do not constitute a societal good. Portes (1998) further highlights the downsides of social capital as it causes restrictions on individual freedom, social exclusion and downward levelling of norms.

Adler and Kwon (2002, p. 23) define social capital as the goodwill available to individuals or groups. Its source lies in the structure and content of an actor’s social relations. Its effects flow from the information, influence and solidarity it makes available to the actor. Adler and Kwon identify three dimensions of social structure that are rooted in different types of relations: market relations, in which products and services are bartered or exchanged for
money; hierarchical relations, in which obedience to authority is exchanged for material and spiritual security; and social relations, in which favours and gifts are exchanged.

Whilst Adler and Kwon’s division of social capital mainly considers the relationships of the actors, Nahapiet and Ghoshal (1998) identify the three dimensions of social capital as:

(i) the structural dimension which include connection with government officials, connections with top managers of other firms and connections with community leaders.

(ii) the relational dimension emerging out of sharing same languages and codes with partners, and

(iii) the cognitive dimension built on trust.

Through social interaction (structural), individuals develop trusting relationships (relational), common goals and values (cognitive). A trusting relationship can lead to the formation of common goals and harmony of interests (Tsai & Ghoshal 1998).

Ultimately, social capital is about the value of connections (Borgatti & Foster 2003) and information. It connects people and groups of people in social networks that generate solidarity, goodwill and mutual influence; and it not only enables access to information but also improves the information's quality and relevance (Coleman 1988). Thus, from a business perspective, the obvious benefits of social capital are increased goodwill, higher levels of trust, and ultimately, a reputation as a concerned, responsible, caring and thus authentic organisation (Adler & Kwon 2002).

The table below gives a brief overview of the different perspectives and major thoughts underpinning social capital theory.
<table>
<thead>
<tr>
<th>Author (year)</th>
<th>Interpretation/Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hanifan (1916)</td>
<td>Those tangible substances that count for most in the daily lives of people, namely: goodwill, fellowship, sympathy and social intercourse among the individuals and families that make up a social unit.</td>
</tr>
<tr>
<td>Loury (1977)</td>
<td>The set of resources inherent in family relations and in community social organisations.</td>
</tr>
<tr>
<td>Bourdieu (1980)</td>
<td>The aggregate of the actual or potential resources which are linked to the possession of a durable network of more or less institutionalised relationships of mutual acquaintance or recognition.</td>
</tr>
<tr>
<td>Bourdieu (1986)</td>
<td>Social capital is embedded within networks of mutual acquaintance and recognition.</td>
</tr>
<tr>
<td>Baker (1990)</td>
<td>A resource that actors derive from specific social structures and then use to pursue their interests; it is created by changes in the relationship among actors.</td>
</tr>
<tr>
<td>Coleman (1990)</td>
<td>Social capital is defined by its function; it is not a single entity, but a variety of different entities having characteristics in common: they all consist of some aspect of a social structure, and they facilitate certain action of individuals who are within the structure.</td>
</tr>
<tr>
<td>Putnam (1993)</td>
<td>Social networks and the norms of reciprocity and trustworthiness that arise from them … that can improve the efficiency of society by facilitating co-ordinated actions.</td>
</tr>
</tbody>
</table>
Table 2.3

Major views of Social Capital (continued)

<table>
<thead>
<tr>
<th>Author (year)</th>
<th>Interpretation/Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fukuyama (2000)</td>
<td>Social capital is a 'radius of trust', where a circle of people operate according to certain co-operative norms.</td>
</tr>
<tr>
<td>Cote and Healy (2001)</td>
<td>Trust is a component of the shared values that constitute social capital.</td>
</tr>
<tr>
<td>Adler and Kwon (2002)</td>
<td>The goodwill available to individuals or groups. Its source lies in the structure and content of an actor’s social relations. Its effects flow from the information, influence and solidarity it makes available to the actor’</td>
</tr>
</tbody>
</table>

Source: Prepared for this study

Even though the concept of social capital evolved from community studies (Jacobs 1961), researchers increasingly have focused attention on the role of social capital as an influence on the economic performance of firms (Baker 1990), of geographic regions (Putnam 1993, 1995) and of nations (Fukuyama 1995). Recent literature (APO 2008; Fuller & Tian 2006; Westlund 2003; Whittaker et al. 2003) has examined the impacts of social capital on businesses, particularly smaller businesses, and has found that it affects issues like transparency, honesty, cooperation, trust, community investment, organisational citizenship and goodwill (Granovetter 2000; Ortiz & Kuhne 2008; Spence et al. 2003).

This research adopted Putnam’s (1993) definition as it was one of the most succinct explanations of social capital theory. Further, the same explanation of social capital has been used by numerous researchers including Russo and Perrini (2009) for the investigation of CSR in both SMEs and large firms.
2.2.3.5 Comparison between Stakeholder Theory and Social Capital Theory

As mentioned in the preceding sections, stakeholder theory and social capital theory are the two unique approaches of interpreting business actions. This study will apply both the lenses to examine the applicability and the relevance of these theories in the context of CSR in SMEs. The table below is a summary of the fundamentals of stakeholder theory and social capital theory.

**Table 2.4**

<table>
<thead>
<tr>
<th><strong>Stakeholder Theory</strong></th>
<th><strong>Social Capital Theory</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>It is predominantly a business management theory focused on managerial decision making. Corporate social responsibility is one of the many business aspects where this theory is applied.</td>
<td>The concept of social capital bridges the gap between multiple disciplines by explaining human actions from the perspectives of economics, sociology and political science.</td>
</tr>
<tr>
<td>Stakeholders are groups (of people) on which the organisation is dependant for its continued survival.</td>
<td>Social capital is a form of capital that is produced from/by the social networks and the norms of reciprocity and trustworthiness that arise from them.</td>
</tr>
<tr>
<td>To perform well, managers need to pay attention to a wide array of stakeholders which include, but extend beyond shareholders.</td>
<td>Social capital in business increases goodwill, higher levels of trust and a reputation as a concerned, caring and an authentic organisation.</td>
</tr>
<tr>
<td>Businesses are expected to cooperate with their closer members (also known as primary stakeholders, e.g. employees, suppliers and customers) and collaborate with others (secondary stakeholders).</td>
<td>Businesses establish connections and network with individuals from the same and/or different social strata in order to act more effectively and pursue shared objectives.</td>
</tr>
</tbody>
</table>

*Source: Developed for this research*
### Table 2.4

**Fundamentals of Stakeholder Theory and Social Capital Theory**

<table>
<thead>
<tr>
<th>Stakeholder Theory</th>
<th>Social Capital Theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholders can be ranked on the basis of their possession of one or more of the three attributes- power, legitimacy and urgency. Higher the number of attributes possessed, stronger is the influence of the stakeholder.</td>
<td>Relationship with individuals from different social strata produces varying forms of social capital (e.g. structural, relational and cognitive) and each of them benefits the organisation in an individualised way.</td>
</tr>
<tr>
<td>Firms address the expectations and demands of higher salient stakeholders prior to lower salient stakeholders.</td>
<td>Businesses aim to increase their net social capital and compensate for any weaknesses that may affect their goodwill and/or the institutionalised relationships of mutual acquaintance/recognition.</td>
</tr>
</tbody>
</table>

*Source: Developed for this research*
2.2.4 SMALL AND MEDIUM ENTERPRISES (SMEs)

CSR, instead of being a persistent concept in business management, has been predominantly investigated at the level of large organisations (Lepoutre & Heene 2006). As a result, several authors (Jenkins 2004; Murillo & Lozano 2006; Spence 2007) are sceptical about the application of traditional CSR concepts for the investigation of social activities in SMEs. This justifies the need to develop a holistic understanding of the characteristics of SMEs. In addition, a brief evaluation of both the applied theories (Section 2.2.4.4 and Section 2.2.4.5) in the context of SMEs is also included before the immediate literature is discussed in Section 2.3.

2.2.4.1 The Significance of SMEs

Governments worldwide recognise the importance of SMEs and their contribution to economic growth, social cohesion, employment and local development (OECD 2004). SMEs form the vast majority of businesses in most countries and are crucial for the following reasons (Nooeboom 1988):

(i) the dynamic and stability of the economy,

(ii) the size, composition and quality of employment,

(iii) the quality of life in general, and

(iv) the socio-political structure of an economy.

As according to the ABS (2010), small and medium-sized businesses play a vital role in the Australian economy. They represented around two million actively trading businesses in June 2007 and employed around 42% of total workforce in Australia. They are estimated to have contributed around 46% of Australia's gross domestic product (GDP) in 2006. In the OECD countries, SMEs accounted for more than 95% of firms and 60–70 per cent of employment (OECD 2000). This was partly a consequence of the ongoing process of industrial restructuring that began in the late 1970s which saw large firms substantially reduce their output and labour, creating large pools of unemployed workers, a proportion of whom were motivated to start their own businesses (Storey 1982). This process received further impetus from the move towards privatisation and market deregulations in the late 1980s and 1990s,
resulting in broad organisational trends that included outsourcing and downsizing (Parker 2000). Similar conclusions are noted in a number of commissioned reports, both overseas and in Australia such as: ‘Small Firms: Report of the Committee of Enquiry on Small Firms’ (1972); ‘Report of the Committee on Small Business’ (1971); ‘Small Businesses in Australia-Challenges, Problems and Opportunities’ (1990); ‘Annual Review of Small Business’ (1996) and ‘Small Businesses in Australia’ (ABS 1998). Therefore, SMEs represent the keystone to Australia’s economic future, as they do in most economies around the world.

2.2.4.2 Definitions of SMEs

The term SME encompasses a heterogeneous group of business, ranging from a single artisan working at home and producing handicrafts to sophisticated software-producing firms selling in specialised global niches. As a result, there is no single definition of SME that is accepted globally.

According to Meredith (1994), SMEs should be defined from both qualitative and quantitative perspectives. The qualitative component should specify the mode of operation and organisational procedures, whilst the quantitative component should reflect the tangible financial measures. Reviewing past research studies (Cragg & King 1993; DeLone 1981; Kagan et al. 1990; Raymond 1990), it was evident that a popular method of classifying businesses was by the number of employees in the firm. Other classification categories include factors like annual sales revenue or total capital, which is often proprietary and is rarely disclosed by smaller, privately owned businesses (Montazemi 1988). The lack of consensus regarding a formal definition for an SME has led to the adoption of diverse approaches by governments and other organisations in different countries.

In the United Kingdom, the Bolton Committee Report (1972) offered two definitions. The first definition is termed as the economic definition which states that firms are small if they meet the following three criteria: (i) must have a reasonably small share of their marketplace; (ii) should be managed by the owner or co-owners of the firm in an informal manner, and (iii) should be independent and not configuring as a part of large enterprise. The second definition is statistical, and relates to the number of employees in the firm. Presently the United Kingdom’s Department for Business Innovation and Skills (BIS 2009) defines SME as a business with less than 250 employees. The European Commission (EU 2009) defines SME as a business having fewer than 250 employees and less than 50 million euro turnover or a
balance sheet of less than 43 million euro. The United States Small Business Administration (SBA 2009) has no definition for SMEs. However, the Small Business Act in the US defines small businesses as those firms that have less than 500 employees and annual receipts which vary according to industry sectors. Even though they accept all legal forms of businesses, joint-venture with more than 49 per cent of foreign stake are not considered as SMEs.

In Australia

In Australia, an important early study of the performance and difficulties of small businesses was completed by the Wiltshire Committee in 1971. It defined a small business as one in which one or two persons are required to make all the critical management decisions: finance, accounting, personal, purchasing processing or servicing, marketing, selling – without the aid of internal specialists and with specific knowledge in only one or two functional areas. However, a more accepted and utilised quantitative definition of the Australian Bureau of Statistics (ABS 2002) is that small businesses are companies with less than 20 employees and medium businesses are companies with less than 200 employees.

This study was based on the ABS’s definition of SMEs since it focuses on Australian SMEs only and the use of the ABS definition therefore provides the opportunity to compare past findings about Australian SMEs. The qualitative factors mentioned by Meredith (1994) such as their operations and organisational structure rarely vary between SMEs and they therefore provide a basis on which to analyse the research findings using the existing literature. However, there will be limitations when comparing the results of this research to SME studies from other countries due to the range of diverse definitions existing internationally.

2.2.4.3 Characteristics of SMEs

Along with the variations in the definitions of SMEs, the characteristics of SMEs have been a popular topic of investigation by both governments and academic researchers. Being mindful of the basic differences between different sizes of businesses, Westhead and Storey (1996, p. 18) note:

‘[a] small firm is not a scaled down version of a large firm. In short, theories relating to SMEs must consider the motivations, constraints and uncertainties facing smaller firms and recognise that these differ from those facing large firms’.
The section below discusses the major findings of studies undertaken to isolate the unique features of SMEs.

Small business are considered to be more risky than their larger counterparts (Brigham & Smith 1967; Walker 1975) resulting in higher failure rates (Cochran 1981; Klatt 1973). In Australia, the SME failure rate is reported to be as high as 23% (Watson 2003). In a comparison of SMEs with larger organisations, Welsh and White (1981) conclude that SMEs suffer from a lack of trained staff and have a short-range management perspective. These traits are termed as 'resource poverty'. These perceptions have been confirmed by more recent studies which found that most SMEs lack technical expertise (Barry & Milner 2002), adequate capital to undertake technical enhancements (Gaskill et al. 1993; Raymond 2001) and organisational planning (Miller & Besser 2000; Tettch & Burn 2001). They also differ from their larger counterparts in the diversity of the products/services available to customers (Reynolds et al. 1994). Jenkins (2006) and Spence (2000) note that the lower resource slack of these firms limits their ability to focus on strategic gains or deal with issues from a marketing or public relations perspective.

Along with the above limitations, there exists a significant difference in the organisational structure and management styles of large and small organisations. Several studies (Murphy 1996; Bunker & Mac Gregor 2000) have shown that, among other characteristics, SMEs tend to have smaller management teams (often one or two individuals) who are strongly influenced by the owner and owner's personal idiosyncrasies (Bolton 1971), with little control over their environment (Hill & Stewart 2000; Westhead & Storey 1996) and a strong desire to remain independent (Dennis 2000; Drakopolou-Dodd et al. 2002). The owners-managers of these firms often undertake several tasks at once (Spence 1999) and awareness of issues beyond the day-to-day running of the business remains low (Tilley 2000).

The relatively simple, flexible and highly centralised management structure (Mintzberg 1979) of SMEs is further reinforced by the limited number of hierarchical levels (MacMillan 1975). As a result, decision-making processes are guided by owners’ personal values and intuitions rather than long-term planning and rationality and therefore decisions are mostly reactive in nature. Accordingly, SME owner-managers have been accused of being ‘strategically myopic’ and lacking the ‘long-term vision as to where their company is headed’ (Mazzarol 2004, p.1). The intrusion of family interests (Reynolds et al. 1994) in SME decision-making
processes with the aim of leveraging past experiences (Rice and Hamilton 1979) further influences the way SMEs operate.

Because of their relatively simple organisational structure (Dean et al. 1998), such organisations are found to be quicker, flexible and more responsive (Goffee & Scase 1995) to the dynamics of the environment. Research also suggests that small businesses are comparatively more innovative (Abdnor 1988; Dean et al. 1998), even though the implementation of innovations is often slowed down due to a lack of resources.

Another important aspect of SMEs that differentiates them from large-scale businesses is power. Smaller size often results in lower negotiation power for influencing environmental forces in the market, suppliers and politics (Porter 1980). As a result, small business partners in the supply chain have a major impact on small business behaviour (Arbuthnot 1997; Dawson et al. 2002).

Even though the stronger negotiation power and political influence (Hillman & Hitt 1999) of larger organisations are often considered to reduce their risks, Bowen (2000) found 'visibility' as the crucial factor in shaping the behaviour of a business. SMEs with limited market shares rely heavily on few customers within their local community (Hadjimonolis 1999; Quayle 2002) and this increases their visibility and threat of public scrutiny on such organisations.

The personal characteristics of the owner-manager have been of increasing interest. Some studies have attempted to explain business success or failure in terms of the personality traits of the entrepreneur (Glancey, Greig & Pettigrew 1998; Stewart Jr., Carland & Carland 1998). The different backgrounds, motives and goals of business owners are also considered to be one of the factors which bring diversity to the SME sector (Nooteboom 1994). In contrast to large organisations, Spence and Rutherfoord (2000) even argue that the notion of a profit-maximising and rational economic entrepreneur as the standard image of the small business owner-manager is likely to be false.

Thus, SMEs differ from larger businesses in terms of resource availability, ownership, organisational structure, management and owners’ personal objectives. Finally, the following table reproduced in full from Nooteboom’s (1994, p. 334) model of SME characteristics, provides a nearly exhaustive list of features in such businesses.
Figure 2.6
Strengths and weaknesses of small businesses

<table>
<thead>
<tr>
<th>CHARACTERISTICS</th>
<th>STRENGTHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intertwined ownership and management</td>
<td>Motivated management</td>
</tr>
<tr>
<td>Motivated management/commitment, integration of tasks for worker, variation and improvisation</td>
<td>Motivated labour</td>
</tr>
<tr>
<td>Few hierarchical levels, short communication lines</td>
<td>No bureaucracy, internal flexibility, little filtering of proposals</td>
</tr>
<tr>
<td>Few and simple procedures, personal, direct oral internal communication</td>
<td>Low cost and little distortion of internal communication</td>
</tr>
<tr>
<td>Personal and close relationship with customers</td>
<td>Capacity for customisation</td>
</tr>
<tr>
<td>Craftsmanship</td>
<td>Unique or scarce competencies</td>
</tr>
<tr>
<td>Tacitness of knowledge</td>
<td>Appropriability</td>
</tr>
<tr>
<td>Idiosyncratic perception</td>
<td>Originality of initiative</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivated management</td>
<td>Unopposed misapprehensions</td>
</tr>
<tr>
<td>Motivated labour</td>
<td>Limited capacity for absorption of new knowledge/technology</td>
</tr>
<tr>
<td>No bureaucracy, internal flexibility, little filtering of proposals</td>
<td>Technical myopia</td>
</tr>
<tr>
<td>Low cost and little distortion of internal communication</td>
<td>Little spread of risk, limited synergy</td>
</tr>
<tr>
<td>Capacity for customisation</td>
<td>Diseconomies of small scale</td>
</tr>
<tr>
<td>Unique or scarce competencies</td>
<td>Lack of functional expertise</td>
</tr>
<tr>
<td>Appropriability</td>
<td>Ad-hoc management, short term perspective</td>
</tr>
<tr>
<td>Originality of initiative</td>
<td>Vulnerability to discontinuity of management and staff</td>
</tr>
<tr>
<td></td>
<td>Limited career opportunities</td>
</tr>
<tr>
<td></td>
<td>Errors in marketing and strategy</td>
</tr>
<tr>
<td></td>
<td>Lack of means for growth</td>
</tr>
</tbody>
</table>

Source: Nooteboom (1994)
2.2.4.4 SME Stakeholders

Section 2.2 provided a detailed overview of the stakeholder theory and the concept of stakeholders in business. In broadening the scope of traditional stakeholder theory, a growing body of academic literature has developed. It includes the bi-directional influences that may exist, not only between groups and individuals who are instrumental in ensuring the success of the firm (primary stakeholders), but crucially between groups who are not engaged in transactions with the corporation and are therefore not essential for its survival (secondary stakeholders). Eventually, the latter group is included in literature pertaining to sustainable development and corporate social responsibility (Clarkson 1995; Mitchell et al. 1997). In relation to small enterprises, Hill and Wright (2001) describe stakeholders as the owner’s personal contact networks, defined as ‘the relationships and alliances that individuals develop or seek to develop between themselves and others in society’. Both the above explanations demonstrate the key function of secondary stakeholders in SMEs. Thus, SME stakeholders include not only those who are economically involved but also individuals who may not have any direct influence on the business.

To avoid any omission of possible stakeholders and to maintain the comparability of this study with Mankelow’s (2003) findings, this research considers all the stakeholders previously identified by Mankelow, which were eventually derived from the studies of both large (Donaldson & Preston 1995) and small enterprises (Hill & Wright 2001; Perry 1985; Robbins et al. 1997). The diagram below (Figure 2.7) lists all the stakeholders including the large organisation stakeholders identified by Donaldson and Preston (1995). Also note the bi-directional arrows indicating that businesses not only influence stakeholders but are also influenced by them at the same time, as was suggested by numerous authors (Hill & Wright 2001; Freeman & Reed 1983). The list of SME stakeholders in Figure 2.7 was neither intended to be exhaustive, nor aimed to be generalised but was an attempt to include all probable stakeholders of SMEs.
SME stakeholders presented in the figure above are ranked according to their salience following Mitchell et al.’s (1997) model (Figure 2.5) introduced in Section 2.2.2.3. The sequence of the stakeholders in Table 2.5 indicates the possible SME–stakeholder relationships. According to the stakeholder salience model (Mitchell et al. 1997), issues related to stakeholders higher in the ranking list are attended to by the SME owner-manager prior to issues related to lower ranking stakeholders. For example, employee or customer (dominant stakeholder) demands are expected to be addressed before political group or community (discretionary and/or potential stakeholder) expectations.

Source: Developed from Mankelow (2003)
Table 2.5
SME stakeholders’ salience classification

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Attributes</th>
<th>Salience classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners</td>
<td>Power/Legitimacy/Urgency</td>
<td>Definitive</td>
</tr>
<tr>
<td>Employees</td>
<td>Power/Legitimacy</td>
<td>Dominant</td>
</tr>
<tr>
<td>Customers</td>
<td>Power/Legitimacy</td>
<td>Dominant</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Power/Legitimacy</td>
<td>Dominant</td>
</tr>
<tr>
<td>Financiers</td>
<td>Power/Legitimacy</td>
<td>Dominant</td>
</tr>
<tr>
<td>Investors</td>
<td>Power/Legitimacy</td>
<td>Dominant</td>
</tr>
<tr>
<td>Advisors</td>
<td>Legitimacy</td>
<td>Discretionary</td>
</tr>
<tr>
<td>Governments</td>
<td>Power</td>
<td>Dormant</td>
</tr>
<tr>
<td>Family of owners</td>
<td>Legitimacy</td>
<td>Discretionary</td>
</tr>
<tr>
<td>Political groups</td>
<td>Legitimacy</td>
<td>Discretionary</td>
</tr>
<tr>
<td>Trade associations</td>
<td>Legitimacy</td>
<td>Discretionary</td>
</tr>
<tr>
<td>Trade unions</td>
<td>Legitimacy</td>
<td>Discretionary</td>
</tr>
<tr>
<td>Community</td>
<td>Legitimacy</td>
<td>Discretionary/Potential</td>
</tr>
</tbody>
</table>


Whilst the above ranking is supposed to hold true in most situations, there is also a dynamic element (Alkhafaji 1989; Freeman 1984) that should to be considered. A stakeholder may change in relative importance and classification due to changes in the internal and/or external environments. For example employees, being dominant stakeholders, can turn into a definitive stakeholder by gaining the attribute ‘urgency’, if their skills are in demand. Similarly, the importance of family members of owners can vary significantly depending on their involvement with the business. A spouse of the owner in a senior management position becomes a definitive stakeholder whereas the same person is a discretionary stakeholder if he/she passively enjoys the business rewards.
2.2.4.5 SME Social Capital

For businesses to succeed, strategies call for entrepreneurs to develop resources and competencies that can provide long-term competitive advantage (Barney 1991; Golden & Ma 2003; Nahapiet & Ghoshal 1998). Nurturing social capital is increasingly being recognised as an important strategy in this area. Consequently, academics (Fuller & Tian 2006; Peng & Luo 2000; Spence et al. 2003) have started focussing on the social capital embedded in the network ties of SMEs that can help such organisations to overcome the limitations often not experienced by large organisations. Larson (1992) notes that it is in the reciprocity of mutual obligations that entrepreneurial businesses create competitive advantage and power to manage social governance.

Nahapiet and Ghoshal (1998) examine the importance of social capital as a facilitator of intellectual capital development and the ‘organisational advantage’ (Ghoshal & Moran 1996) created through the set of resources rooted in business relationships. According to them, social capital increases the efficiency of action through higher levels of trust and cooperative behaviour within the members of the network. Whilst such discussions are relevant for all businesses, the amount of attention given to SMEs has grown recently.

Based on Nahapiet and Ghoshal’s (1998) proposed three dimensions of social capital – structural, relational and cognitive, Fuller and Tian (2006) explain the significance of each from the perspective of SMEs. From a structural dimension, Liao and Welsch (2005) note that network ties provide access to resources and information. SMEs are particularly dependent on such networks of interpersonal relationships, and these networks assist them with their functioning (Murillo & Lozano 2006). A structural relationship also helps SMEs to survive competition in the market by compensating for their relative weaknesses like smaller size, lower economies of scale and lower security (Spence & Schmidpeter 2003). A similar outcome is noted in Putnam’s (2000) bridging and linking social capital which arises when people from different backgrounds come together for better linkage to external assets and information.

From a relational dimension, social capital influences trust, norms, obligations and mutual expectations in addition to increasing identity, respect and friendliness. Spence et al. (2003) identify the favourable outcomes which promote images of transparency, goodwill and good citizenship related to social capital accrued through formal engagement, networking within
and across sectors, volunteerism and giving to charity. They argue that collective action emerging from such relationships of trust and mutual expectation are crucial for SMEs embedded in their local communities. Liao and Welsch (2005) add that such relational dimensions, which involve a responsibility to other partners in the community, also enable firms to gain physical and emotional support.

The cognitive dimension of social capital enhances the possibility of sharing resources and responsibilities amongst the partners and stakeholders in the network. According to Nahapiet and Ghoshal (1998), these are the resources that provide shared representations, interpretations and systems of meanings among parties. The common ground created through shared language and codes encourage future cooperation and information exchange resulting in trusting relationships between the members. This again to some extent resemble Putnam’s (2000) bonding social capital which is generated from a tendency to react to (negative) external forces by sharing the responsibility within the businesses of the same sector.

However, such distinctions proposed by Nahapiet and Ghoshal (1998) are often overlapping. For example, civic engagement of a SME owner-manager can help the business to access information (structural) and improve the reputation of the entrepreneur (relational) at the same time. Similarly, a relationship with a powerful institution can assist an SME to compete with bigger companies (structural) and raise a collective voice against government policies (cognitive). Spence et al. (2003, p. 19) summarises the following aspects of social capital that benefit SMEs:

(i) they enable mutual expectations and enable collective action (trust)

(ii) they form a kind of insurance, and

(iii) they give access to relevant information.

Whilst the above dimensions of social capital illustrate the relevance of this concept in the context of SMEs, this research was not designed to examine how or whether each form of social capital existed in Australian SMEs. The above discussions developed a comprehensive understanding of the social capital theory which underpins the analysis of the CSR approach in SMEs.
2.3 IMMEDIATE LITERATURE – CSR in SMEs

The previous sections summarised the four parent literatures of the research topic, *CSR in SMEs: Application of stakeholder theory and social capital theory*. Section 2.2.1 discussed the CSR literature since the emergence of the concept along with the existing knowledge in this area. Section 2.2.2 and Section 2.2.3 introduced stakeholder theory and social capital theory which were later considered for the evaluation of the findings of this research. Section 2.2.4 analysed the characteristics of SMEs and the significance of stakeholders and social capital to these organisations. This section commences with a brief introduction to CSR in SME studies and the sources that were used to search previous academic contributions in this area. Following an in-depth review of the SME–CSR literature, knowledge gaps are identified and research questions are developed that guide the data collection and analysis procedures detailed in Chapter 4.

Table 2.6 below lists the sources that were used to find past studies investigating the CSR practices of SMEs.

**Table 2.6**

**Source of literature on SME-CSR**

<table>
<thead>
<tr>
<th>Major search engines used</th>
<th>Major peer reviewed and other journals used</th>
<th>Keywords used in to search SME-CSR literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ebsco</td>
<td><em>Journal of Business Ethics</em></td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>Emerald</td>
<td><em>Academy of Management Review</em></td>
<td>SMEs</td>
</tr>
<tr>
<td>Factiva</td>
<td><em>Business and Society Review</em></td>
<td>Small business social responsibility</td>
</tr>
<tr>
<td>Google</td>
<td><em>Academy of Management</em></td>
<td>Small business</td>
</tr>
<tr>
<td>Google scholar</td>
<td><em>Business Ethics Quarterly</em></td>
<td>Social capital</td>
</tr>
<tr>
<td>Proquest 5000</td>
<td><em>Business Ethics – A European Review</em></td>
<td>Stakeholder theory</td>
</tr>
<tr>
<td></td>
<td><em>Journal of Small Business Management</em></td>
<td>CSR in business</td>
</tr>
<tr>
<td></td>
<td><em>American Journal of Sociology</em></td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>Journal of General Management</em></td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>Harvard Business Review</em></td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>New York Times Magazine</em></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Developed for this research*
2.3.1 Review of SME-CSR Studies

The literature on small and medium enterprise corporate social responsibility is limited, disparate and fragmented (Joyner, Payne & Raiborn 2002). Most of the studies in this field fail to cover all the relevant areas that could assist in the development of a coherent theory. Further, such studies were difficult to collect since they were published in a wide range of topics like business ethics, CSR, small business, entrepreneurship, regional development and management issues as was previously noted by Moore and Spence (2006). In addition, factors like cultural differences between the business localities/countries, multiple theories investigating business responsibility, changing business environments and the application of varying methodologies made comparisons difficult. However, there exists substantial commonality in the SME–CSR relationships across the studies and this enables a comparison between the past findings.

Based on Nooteboom’s (1994) identified characteristic of intertwined ownership and management in small businesses, several academics (Holliday 1995; Spence 1999; Tilley 2000) have explored the influence of SME owner-managers on their business activities including participation in socially responsible activities. Tilley (2000) mentions that SMEs are not ‘little big firms’ and therefore such businesses are not always motivated by the same things as their larger counterparts. In addition to size, SMEs differ in their orientation to legal form, sector, national context, historical development and institutional structures (Spence 1999; Spence & Rutherfoord 2003). Whilst a common mistake in CSR studies is to compare entrepreneurial small firms with normal small firms (Spence 2007), SMEs are not always profit driven like other businesses (Goffee & Scase 1995). According to Quinn (1997), the maxim of ‘the business of a business is business’ (Friedman 1970) does not apply to small businesses since owner-managers of SMEs bring their own integrity to bear and they have other responsibilities. In support of this view, Russo and Perrini (2009) found that ethical issues such as openness and trust, selected relationships with suppliers and honest dealings with clients have been recognised by small firm managers as some of the key drivers of SME development. Spence and Rutherfoord (2003) also conclude that the notion of the profit-maximising, rational economic entrepreneur as the standard image of small business owner-manager is false. The following research question was therefore posed:

**Research Question 1. What are the business values of SMEs and how are they oriented?**
As was noted with the concepts and definitions of CSR in Section 2.2.2 and Table 2.1 respectively, interpretation of the construct in the SME sector is not uniform. Murillo and Lozano (2006) found a lack of consensus about SMEs’ familiarity and consciousness of CSR. According to Garriga and Mele (2004), society interacts with business, lending its legitimacy and prestige and thus business becomes responsible for its activities within the society in its long-term economic operations and its creation of value. Thus, CSR is an obligation of the business towards its society. On the other hand, some authors (Hitchens et al. 2005; Petts et al. 1999) argue that SMEs have never thought about CSR as they do not acknowledge their social and environmental impacts. However, the literature recognises that many SMEs are already socially aware and active, though not at the CSR level (Jenkins 2004). In 2006, Murillo and Lozano used a grounded theory approach to investigate the understanding of CSR in Catalan medium sized enterprises. They found that the businesses were not comfortable with the concept and considered this precise term as a ‘metalanguage’ which was hard to internalise from a management perspective.

Similar issues related to the terminology were noted by Lahdesmaki (2005), Spence (2007), Southwell (2004) and Zadek et al. (2005). Castka et al. (2004) even consider the term CSR to be misleading because the concept is generic and is applicable to organisations of all types and sizes but the term fails to reflect this. Spence (2007) is sceptical of using the words ‘corporate’ and ‘social’ to refer to unincorporated businesses like SMEs. Many believe this ambiguity restricts SMEs from familiarising themselves with the construct. In response to this issue, terms like ‘small-firm social responsibility’ (Spence 2007), ‘responsible business behaviour’ (Ortiz Avram & Kuhne 2008), ‘responsible competitiveness’ (Zadek et al. 2005) and ‘responsible business practice’ (Southwell 2004) have emerged in the literature to make this concept more relevant for such organisations.

Whilst some authors note that CSR is seen as providing an opportunity for strategic advantage for SMEs, others consider it to be a cost disadvantage due to the lower resource slacks of smaller businesses (Nooteboom 1994). According to some authors, in the minds of SME owner-managers, socially responsible activities are perceived as costs that result in competitive disadvantage (Gerstenfeld & Roberts 2000; Anglada 2000; Tilley 1999). But at the same time, Spence (2007) opines that the smaller size of SMEs provides little space to hide mistakes and therefore the moral proximity with the community and customers is more valued and this shapes the CSR behaviour of SMEs. In relation to this, Cowe (2003) argues that business must make the appropriate decisions when confronted by a choice between
financial returns and morality. The key therefore lies in finding the balance between entrepreneurship and ethical practice (Taylor 2003; Cassidy 2003). Along similar lines, Vives et al. (cited in Lepoutre & Heene 2006) note that companies integrating social responsibility in their overall strategy may not experience such expenses as an ‘add-on’ and therefore do not view them as an extra cost. Porter and Kramer (2006) conclude that many companies think and implement social responsibility issues in a standardised way instead of aligning CSR with their strategic objectives, but such a proposition has not been examined in SMEs, particularly in Australia. The above divergences in the literature form the basis of the second question.

**Research Question 2. How is CSR perceived by SMEs?**

In contrast to large organisations, small businesses are assumed to perform poorly in terms of social responsibility and business ethics (Jenkins 2006). A small enterprise study in the US (Thomson et al. 1993) found that CSR participation is closely associated with customers and employees with few initiatives aimed at their local community. However, on a local level, Curran et al. (cited in Spence & Schmidpeter 2003) note that there is a lack of research on SME engagement in social activities. Whilst Joseph (2000) finds that SMEs play an important role in terms of engagement and civic issues in regional economic development, Goss (1991) and Curran et al. (2000) express a contradictory view. Joseph’s conclusions are similar to Chrisman and Fry’s (1982, p. 26) findings as they state, ‘small businesses were seen to be in touch with the expectations of the society’. In Australia, Mankelow (2003) finds small enterprise CSR participation focuses more on community stakeholders who have lower stakeholder salience than customers, employees and suppliers of the business.

The variations in the extent and form of CSR participation have been investigated by numerous scholars. Spence (2007) mentions that engagement in CSR can vary due to a number of factors including political contexts, sectoral contexts and the character of owner-managers and others close to them. Political contexts heavily influence CSR participation through legislative arrangements which often fall disproportionately on small firms (Spence 2007; Williamson et al. 2006). Spence (2004) finds that certain businesses like garages are more committed to community issues than are internet marketing firms since members of the former are customers, employees and neighbours who are closer to the business. Jenkins (2006) notes that printing, manufacturing and engineering firms (with larger environmental...
impacts) are more likely to have a strategic approach to environmental management, whereas, service firms are more likely to have a CSR program. This is consistent with Udayasankar’s (2008) findings. Udayasankar notes that a firm’s visibility affects its CSR participation. Finally, due to the convergence of ownership and management in SMEs (Nooteboom 1994), CSR extent and form is strongly influenced by the owners and their close associates and family members. Spence (2007) further discusses the impact of ‘significant others’ such as spouses, children of firm members, mentors of the owner-manager and previous employees or colleagues on the SME’s commitment to social issues. Along with these, researchers (Gerstenfield & Roberts 2000; Hitchens et al. 2005; Hunt 2000) have also identified the factors like lack of knowledge and daily involvement of SME owner-managers in daily activities which affect their ability to engage in social activities.

Whilst the extent and form of CSR participation is a topic plagued by confusion, there are multiple views on how SMEs plan their socially responsible activities. One of the reasons Spence (2007) believes SMEs should be considered separately is the lack of codification and the inapplicability of measures of social responsibility used by large organisations. She adds that small businesses react on an ad hoc and personal basis to social needs and do not have the resources to focus on strategic gains. However, Mankelow (2003,) from his analysis of Australian small enterprises finds CSR participation is ‘locally focused, tailored, structured and consistent, and was designed to enhance enterprise strategic objectives’ (p. 179).

Carr (2003) suggests that responsibility and ethics is a personal ethos that informs the practice of business as a ‘manner of leading one’s life’. Therefore, in the case of SMEs, where ownership and management is intertwined (Nooteboom 1994), personal ethos and business behaviour is inseparable (Fuller & Tian 2006). Wickham (2004) also mentions that an entrepreneur still has the discretion to manage the business in a personalised way overlooking standard constraints like economic and legal requirements. This implies that the nature of responsible actions in individual SMEs will vary according to the ethical perspectives of the owner-manager. However, Graafland et al. (2003) argue that social interaction with the stakeholders partly shapes SME’s responsible behaviour. Spence et al. (2003) support this view as they believe business ethics cannot be disconnected from the rest of the world. Earlier, Brown and King (1982) found that local business community culture is so strong that personal values developed in youth are displaced by the values of the community. These findings prove that social control is a powerful form of governance on smaller networked businesses (Larson 1992; Leifer & White 1986) and therefore, SME
owner-managers may not independently decide their social participation. This raises the third research question.

**Research Question 3. How do SMEs participate in CSR?**

In the light of the debate about the extent and form of CSR participation, it appears that there is no consensus on the relative importance of internal stakeholders (customers, employees and suppliers) and external stakeholders (e.g. community) for SME responsible behaviour. From an analysis of Australian small enterprises, Mankelow (2003) finds that owner-managers rank operational stakeholders (customers, employees and suppliers) higher than community stakeholders according to their respective stakeholder salience. Fuller and Tian (2006) analysed the narratives of owner-managers in small businesses and conclude that businesses value social capital creation through participation in social activities. But the majority of such activities are oriented towards immediate stakeholders. This is consistent with the broad thesis of stakeholder theory (Freeman 1984) which argues that CSR benefits businesses in economic terms. In line with these studies, Murillo and Lozano’s (2006) study of four medium-sized Catalan businesses also found the most important factor that legitimates participation in social activities is internal and that relationships with external stakeholders are of lesser importance. Graafland and Smid (2004) argue that CSR is primarily reputation building and for small firms the reputation mechanism is less important than for large firms. These studies conclude that CSR activities are undertaken by SMEs to meet the demands or expectations of their internal stakeholders rather than to gain support and recognition from their local or broader community.

Spence and Rutherfoord (2001) and Goffee and Scase (1995) mention that profit maximisation is not the key motivator of small firm owner-managers. Spence and Schmidpeter (2003) and Jenkins (2006) found SMEs participate in civic engagements that bring no business benefits. Rather, internal drivers are the main motivation for CSR. Even though participation in social activities with customers, employees and suppliers increase social capital, mainly in the form of bonding social capital, Putnam (2000) believes that bridging and linking social capital gained through social activities with community members help businesses in ‘getting ahead’. Whilst such interpretations seem valid from the viewpoint of social capital theory, the preference for internal stakeholders in social activities of SMEs fail to confirm them. So there are divergent views on how SMEs value their internal
stakeholders and community stakeholders when it comes to decisions relating to CSR. This raises the fourth research question of this study.

**Research Question 4. Which stakeholders influence CSR participation in SMEs and to what extent?**

Even though research on social responsibility of SMEs is multidisciplinary, examination of the motivations for such activities is a common factor in most of these studies. The table below lists the major authors in this area and their findings in relation to the factors motivating SMEs’ participation in CSR.

**Table 2.7**

**Motivation of CSR in SMEs**

<table>
<thead>
<tr>
<th>Author/Year</th>
<th>Findings on SMEs’ motivation to participate in CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Mankelow (2003)</td>
<td>Long-term survival, increase employee morale, marketing, customer support, customer loyalty, business reputation, altruism, character/values of owner, recognition, expectations of community, etc.</td>
</tr>
<tr>
<td>2. Castka et al. (2003)</td>
<td>Business profitability, ethical operation</td>
</tr>
<tr>
<td>3. Spence &amp; Schmidpeter (2003)</td>
<td>Gaining community support, long-term survival, business reputation, access to information, marketing</td>
</tr>
<tr>
<td>4. Spence et al. (2003)</td>
<td>Philanthropic, character/values of the owner, business reputation, long-term survival, creating network</td>
</tr>
<tr>
<td>5. Fuller &amp; Tian (2006)</td>
<td>Business reputation, meeting stakeholder (mainly internal) expectations</td>
</tr>
</tbody>
</table>
Table 2.6  
Motivation of CSR in SMEs (continued)

<table>
<thead>
<tr>
<th>Author/Year</th>
<th>Findings on SMEs’ motivation to participate in CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Jenkins (2006)</td>
<td>Philanthropic, competitive impact, access to resources (employees), moral and ethical reasons, business image, increase employee morale</td>
</tr>
<tr>
<td>9. Udayasankar (2008)</td>
<td>Basis for differentiation, access to resources, increased visibility, meeting stakeholder demands and expectations</td>
</tr>
<tr>
<td>10. Russo &amp; Perrini (2009)</td>
<td>Increase trust, business reputation, legitimacy with specific stakeholders (suppliers, customers, employees and local community), external influences (cultural, institutional and political)</td>
</tr>
</tbody>
</table>

Source: Developed for this research

It is evident from the above table that the motivations for CSR in SMEs range from philanthropic to strategic and include both building of social capital and the fulfilment of the demands/expectations of stakeholders (mostly internal). Mankelow (2003) finds that small enterprise CSR motivations in Australia prioritised enterprise needs over the needs of community stakeholders. This is supported by the findings of Castka et al. (2004) and Williamson et al. (2006). On the other hand, Russo and Perrini (2009) suggest that SMEs, being largely local, follow the principles of social capital theory and are motivated to participate in CSR to exploit their strong relationships built out of trust, reputation and legitimacy with specific stakeholders (suppliers, customers, competitors and the local community). A similar conclusion is drawn by Vyakarnam et al. (1997) who found a strong inclination among SMEs to improve consensus within and among citizens in their local communities. Jenkins (2006), in an analysis of Catalan SMEs, finds philanthropy is a common form of CSR which contradicts Williamson et al.’s (2006) inference that SMEs participate in CSR due to legal requirements and business benefits. This leads to the justification of the fifth research question.

Research Question 5. Why do SMEs participate in CSR?
Due to the inherent characteristics of SMEs, most academics and practitioners unanimously acknowledge that the CSR agenda in these organisations is very different and challenging in comparison to large firms (Lepoutre & Heene 2006). In general, SMEs lack the resources (Nooteboom 1994) that need to be invested to participate in responsible activities. As Murillo and Lozano (2006) state, ‘the bigger the SME, the more CSR is put into practice’.

Spence and Schmidpeter (2003) identify time constraints and perceived lack of opportunity as the two major barriers for such engagements. However, they are sceptical about the time factor since some owner-managers, despite being extremely busy, still manage to get involved in community issues and therefore Spence and Schmidpeter sense an issue of personality type that could explain this attitudinal difference. Nevertheless, lack of time still becomes a problem for social responsibility in SMEs since such activities further reduce their discretionary slack (Lepoutre & Heene 2006).

The second-most discussed issues are the cost involved and information availability. In the mind of most small business owner-managers, socially responsible activities are perceived as costs that result in competitive disadvantage (Anglada 2000; Tilley 1999) and therefore they often have to postpone such expenses even if they feel that CSR activities are something they would like to do. The Chamber of Commerce of Bilbao (cited in Murillo & Lozano 2006) found that insufficient awareness of CSR, accompanied by a lack of resources, impeded CSR participation by the SMEs of the Biscay region. Some authors (Gerstenfield & Roberts 2000; Hitchens et al. 2005; Hunt 2000) have a different view and believe there is enough information available but knowledge is not sufficient among small business owner-managers who are beset by problems of bounded rationality (Nooteboom 1994).

Jenkins (2006) identifies additional factors which impede the social activities of SMEs. They include: organisational culture; difficulties getting employees involved; lack of measurement and quantification of CSR benefits; difficulties in making connections with the community; and the challenges of maintaining the momentum of such activities. Her findings support Murillo and Lozano’s (2006) conclusion that bigger SMEs with more than 100–120 employees do not perceive such factors to be challenging. In line with the conclusions of Gerstenfield and Roberts (2000), Hitchens et al. (2005) and Hunt (2000), SMEs in UK felt that information about CSR is not an issue, and that poor practical and financial help are the main problems (Jenkins 2006). Lack of effective leadership by SME owner-managers is another issue that restricts some organisations in UK from doing more about CSR.
In terms of facilitating CSR in SMEs, Spence and Schmidpeter (2003) found from their analysis of German and British organisations that greater political participation at a local level, more freedom and social infrastructure for owner-managers and a stronger awareness through media, academia and politicians can be useful. Jenkins (2006) opines that a lack of accountability and poor information availability from business organisations restricts SMEs’ engagement in social activities. She suggests the development of CSR learning networks through trade associations to enhance access to a range of complementary experiences and expertise. Tilley (2000) advocates increased commitment from public authorities to improve business ethics in SMEs. Perrini (2006) and Castka et al. (2004) also stress the need for exemplar case studies to encourage SMEs in social participation.

However, Spence (2007) argues that despite the political emphasis laid on the business benefits in some European countries, there is no strong evidence that demonstrates CSR brings competitive advantage or financial success (McWilliams & Siegel 2001). She once again highlights the fundamental problem of thinking of small businesses as profit maximisers (Goffee & Scase 1995; Spence & Rutherfoord 2001). Based on the contradictory evidence of the benefits of CSR in the literature, Castka et al. (2004) doubt the feasibility of legislation for encouraging SMEs to increase social participation. Even small business managers expressed similar concerns as they find obeying the law can be a problem to begin with (Gerrans and Hutchinson 2000; Petts et al. 1999), particularly, taking into account the resource constraints under which they operate (mentioned in Lepoute & Heene 2006).

Emerging from the above discussions, the sixth research question was framed.

**Research Question 6. What are the barriers to CSR? How can SMEs be encouraged to participate in such activities?**

Along with the varying levels and forms of CSR participation, and the differing motivations, challenges and facilitators, recent literature has identified a tendency of SME owner-managers to be members of various associations. In an empirical analysis of German and UK SMEs, Spence and Schmidpeter (2003) noticed that some organisations and their owner-managers proactively involve themselves with other institutions beyond regulatory and institutional requirements. Fallon and Brown (cited in Spence & Schmidpeter 2003) with reference to German systems, explain that a chamber of commerce membership helped their
member firms with a balanced representation of local economic interests and legitimacy as the voice of local businesses. Thus, such engagements by time-poor SME owner-managers provide an institutional framework for representing all SMEs at a local and national level. Fallon and Brown add that informal networks like these are important for gaining access to necessary business information and also a scope for word-of-mouth marketing. Further potential benefits noted by Fallon and Brown include an informal sanctioning mechanism that helps to avoid bad practices through informal reputation management. Most of these outcomes have also been discussed as the benefits of social capital in business.

A similar issue is identified by Lepoutre and Heene (2006) from the perspective of SME’s negotiating power. They cite Hillman and Hitt (1999) who state that SMEs, due to their limited individual political significance in terms of job creation and social power, fail to influence political decision making. Such political power is considered to be important for small businesses if they wish to participate in public policy making. Therefore, small businesses often have to work through organisations or associations that have an institutionalised place in policy decision-making (Doh & Guay; Hillman & Kiem cited in Lepoutre & Heene 2006).

Whilst this is an area that has gained recent attention, there has been no investigation of such activities in Australian SMEs. To explore this area, the seventh research question was posed.

**Research Question 7. Do SME owner-managers voluntarily engage themselves with different associations, and if so, why?**
2.3.2 SUMMARY of RESEARCH QUESTIONS

Table 2.8
Research Questions

<table>
<thead>
<tr>
<th>Research question no.</th>
<th>Research question</th>
</tr>
</thead>
<tbody>
<tr>
<td>RQ1</td>
<td>What are the business values of SMEs and how they oriented?</td>
</tr>
<tr>
<td>RQ2</td>
<td>How is CSR perceived by SMEs?</td>
</tr>
<tr>
<td>RQ3</td>
<td>How do SMEs participate in CSR?</td>
</tr>
<tr>
<td>RQ4</td>
<td>Which stakeholders influence CSR participation in SMEs and to what extent?</td>
</tr>
<tr>
<td>RQ5</td>
<td>Why do SMEs participate in CSR?</td>
</tr>
<tr>
<td>RQ6</td>
<td>What are the barriers to CSR? How can SMEs be encouraged to participate in such activities?</td>
</tr>
<tr>
<td>RQ7</td>
<td>Do SME owner-managers voluntarily engage themselves with different associations, and if so, why?</td>
</tr>
</tbody>
</table>

Source: Developed for this research

A holistic review of literature in the area of the research problem identified seven research questions to guide the data collection and analysis procedures. The first research question (RQ1) was used to examine the overall values that drive SMEs. The current understanding of CSR in the SME sector was explored by the application of the second research question (RQ2). The present level and extent of social activities undertaken by such organisations is investigated using the third research question (RQ3). The fourth research question (RQ4) was used to develop a deeper insight into the influence of stakeholders and the community on the SMEs in relation to CSR decisions. Research question five (RQ5) generated a first-hand knowledge of the motivations that encourage these businesses to engage in social activities. Barriers and facilitators (RQ6) as perceived by the participants, helped to identify the factors that restrict and potentially encourage SMEs to participate in CSR. Finally, an emerging issue was examined in research question seven (RQ7) to verify if and why Australian SMEs get involved with different associations voluntarily.
CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

Chapter 2 reviewed the literature on the four parent disciplines – CSR, stakeholder theory, social capital theory and SMEs followed by a thorough analysis of the immediate literature on CSR in SMEs. The research questions arising out of the literature review are as follows:

- What are the business values of SMEs and how are they oriented?
- How is CSR perceived by SMEs?
- How do SMEs participate in CSR?
- Which stakeholders influence CSR participation in SMEs and to what extent?
- Why do SMEs participate in CSR?
- What are the barriers to CSR? How can SMEs be encouraged to participate in such activities?
- Do SME owner-managers voluntarily engage themselves with different associations and if so, why?

This chapter explains and justifies the research methodology that was applied in order to achieve the underlying objectives introduced in Chapter 1. A qualitative multiple case-study methodology appeared to be the most suitable approach for the research problem. Detailed justification is provided throughout this chapter.

Figure 3.1 represents the structure of Chapter 3. Section 3.2 outlines the selection and justification of the research methodology, Section 3.3 presents the sampling procedures, Section 3.4 details the data collection methods, Section 3.5 explains the data analysis, Section 3.6 illustrates the criteria used for judging the quality of this research, Section 3.7 discusses the limitations of case study methodology, Section 3.8 outlines the ethical considerations and finally the conclusions are presented in Section 3.9.
## 3.1 Introduction and structure of chapter 3

### 3.2 Selection and justification of the research methodology
- 3.2.1 Purpose of research
- 3.2.2 Justification for interpretive paradigm
- 3.2.3 Justification for qualitative methodology
- 3.2.4 Justification for case study methodology
- 3.2.5 Justification for multiple case study methodology

### 3.3 Sampling
- 3.3.1 Definition of target population
- 3.3.2 Sampling method
- 3.3.3 Sampling frame
- 3.3.4 Sample size

### 3.4 Data collection
- 3.4.1 Justification for semi-structured in-depth interviews
- 3.4.2 Interview instrument
- 3.4.3 Pilot case study
- 3.4.4 Case study protocol
- 3.4.5 Chain of evidence
- 3.4.6 Case study transcripts, documentation and data storage

### 3.5 Data analysis

### 3.6 Criteria for judging the quality of case study research design

### 3.7 Limitations of case study methodology

### 3.8 Ethical considerations

### 3.9 Conclusions

*Source: Developed for this research*
3.2 SELECTION AND JUSTIFICATION OF THE RESEARCH METHODOLOGY

This section justifies the research strategies employed and the research design used in this study. Subsections 3.2.1 to 3.2.5 discuss the purpose of this research, the chosen paradigm, the applied qualitative research method, the justification for the case study strategy and the reasons for adopting a multiple case study approach.

3.2.1 PURPOSE OF RESEARCH

The three categories of business research studies are causal/explanatory, descriptive and exploratory (Churchill 1999). The stage to which knowledge about the research topic has been established ideally dictates the nature of the study (Sekaran 2003).

Causal research primarily explains why events occur by defining the cause-and-effect relationships amongst variables. Such studies are suitable when the research problem is already well documented (Zikmund 2003) and the discovered causality is useful to understand and predict outcomes of the investigated problem.

Descriptive research studies ‘paint a picture’ using words or numbers and present a profile, a classification of types, or a outline of steps to answer questions such as who, when, where and how (Neuman 2006, p. 35). Exploring new issues is less of a concern for descriptive researchers than describing how things are.

In contrast to causal and descriptive research, exploratory studies are common in the initial stages to gain a better understanding of the problem. In-depth investigation (Wong 1999) in exploratory research is used to break a broad problem into smaller and well-defined sub-problems.

In relation to this research, prior theories provided meaningful insights mainly in the context of large organisations. Even the limited CSR investigations into SMEs were mostly conducted in the United States, Britain and other European countries. Therefore, an exploratory research methodology seemed ideal for examining the little understood issue (Neuman 2006, p. 33) of CSR in SMEs of Australia which can be refined in later studies through the application of descriptive and causal research.
3.2.2 JUSTIFICATION OF INTERPRETIVIST PARADIGM

A research paradigm is ‘an understanding or view of the world and is used to determine what problems are worthy of research exploration as well as what methods are available to contend with these research problems’ (Perry & Cavaye 2004, p. 22). The chosen paradigm also guides the investigator to choose a methodology based on his/her basic belief system and worldview as suggested by Lincoln and Guba (1994). The basic belief system is termed as ontology in research language, and this refers to a researcher’s perception of reality. Worldview, termed as epistemology in research language, refers to the relationship between the reality and the researcher.

Within a research context, there exist numerous paradigms as identified by various authors. Easterby-Smith, Thorpe and Lowe (1991) group paradigms as positivist and phenomenological (interpretivist) based on deductive and inductive orientation. Lincoln and Guba (1994), Perry, Riege and Brown (1999) summarise paradigms as positivism, constructivism, critical theory and realism. In 2001, Jennings proposed six paradigms: positivism, interpretive social science approach, critical theory orientation, feminist perspectives, the post-modern approach and the chaos theory orientation. Whilst a detailed discussion of each category is beyond the scope of this research, an overview of the two major paradigms – positivist and phenomenological/interpretivist is shown in Table 3.1 below.
Table 3.1
Overview of research paradigms

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Positivist viewpoint</th>
<th>Interpretivist viewpoint</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research position</td>
<td>Descriptive, causal, deductive, theory confirming, world is external and objective</td>
<td>Exploratory, theory building, inductive, analytical, interpretative, world is socially constructed and subjective</td>
</tr>
<tr>
<td>Direction of research inquiry</td>
<td>Measurement and analysis of causal relationships between variables that are generalisable across time and content</td>
<td>Development of ideographic, knowledge based social experiences such as human ideas, beliefs, perceptions and values</td>
</tr>
<tr>
<td>Research strategies</td>
<td>Experiment, surveys</td>
<td>Case study, action research, etc.</td>
</tr>
<tr>
<td>Methodology</td>
<td>Outcome and verification-oriented</td>
<td>Process oriented, discovery oriented</td>
</tr>
<tr>
<td>Causality</td>
<td>Cause and effect relationships</td>
<td>Causal tendencies, generative mechanism</td>
</tr>
<tr>
<td>Interview questions</td>
<td>Mainly closed with limited probing</td>
<td>Open with probing</td>
</tr>
<tr>
<td>Judgment of research quality</td>
<td>External validity and reliability are critical</td>
<td>Construct validity is important</td>
</tr>
<tr>
<td>Sample size</td>
<td>Large</td>
<td>Small</td>
</tr>
<tr>
<td>Data collection</td>
<td>Structured</td>
<td>Semi-structured, unstructured (investigated in depth or over time)</td>
</tr>
<tr>
<td>Interaction of interviewer and phenomenon</td>
<td>Independent and value free, one-way, distant and unbiased</td>
<td>Mutually interactive, value-laden, close and biased</td>
</tr>
<tr>
<td>Perspective of respondent</td>
<td>Emphasis on ‘outsiders’ perspective being distant from data</td>
<td>Emphasis on the insiders’ perspective</td>
</tr>
<tr>
<td>Information per respondent</td>
<td>Varies according to question</td>
<td>Extensive (broader question)</td>
</tr>
<tr>
<td>Type of data gathered</td>
<td>Replicable, discrete elements, statistical</td>
<td>Information rich and deep, contextual, non-statistical, somewhat subjective reality</td>
</tr>
<tr>
<td>Physical aids</td>
<td>Questionnaires, statistical software programs</td>
<td>Recorder, interview guides, visual methods</td>
</tr>
</tbody>
</table>

Positivists view the social world and believe that facts about this external world can be gathered through a specific set of methods (Easterby-Smith, Thorpe & Lowe 1991). These methods are usually objectively described and measured (Lincoln & Guba 1985). Positivists are mostly concerned with the confirmation of theories (Deshpande 1983) and less with the discovery, development or ‘context of discovery’ of theories (Lincoln & Guba 1985, p. 25). Quantitative data collection methods, including controlled experiments and surveys, are used to test sets of hypotheses within this paradigm (Tsoukas 1989).

A positivist paradigm was not suitable for this research for three reasons. Firstly, there is a lack of existing theories related to socially responsible behaviour in SMEs. To be precise, there is very little theoretical material available for the researcher to test CSR in an Australian context.

Secondly, this research involves the experiences and life stories of people and was concerned more with theory building than with theory testing. Positivists usually establish approaches that are used to support or reject hypotheses, or explanations of phenomena rather than trying to explain why and how the phenomena occurred. In contrast, this research aimed to explore and explain an existing phenomenon in the way it is. It should also be noted that this research finally evaluated the relevance of the stakeholder theory and the social capital theory to explain SMEs’ attitudes but does not test any existing CSR theories.

Thirdly, the positivist paradigm was not appropriate because this research investigated a business management practice in a situation that cannot be controlled. The attitude of SME owner-managers and their CSR participation is closely associated with regular business operations. Thus, positivism was not considered as a suitable paradigm for this kind of research problem.

The other alternative was an interpretivist approach. Ontologically, it was observed that there can be multiple perspectives and explanations of social responsibility in SMEs due to a lack of previous research in this area. From an epistemological viewpoint, this study required the researcher to interact with the informants to gain an in-depth knowledge of the SMEs and their CSR involvement. The insights thus obtained were therefore subjective. Owing to this subjective and exploratory theory building aspect of the research, an interpretivist paradigm seemed more appropriate than a positivist approach entailing an objective interaction (Jennings 2001). In the words of Perry and Coote (1999, p. 102), ‘in many areas of the social
sciences, existing deductive theory testing research methods do not adequately capture the complexity and dynamics of organizational settings’. Similar conclusions are drawn by Carson et al. (2001), Easterby-Smith, Thorpe and Lowe (1991) and Parkhe (1993) as they suggest an interpretivist strategy employing a realist epistemology can better access a ‘hidden slice of reality’ such as managerial perceptions. Therefore, this research undertook a qualitative study from an interpretivist perspective.

3.2.3 JUSTIFICATION OF QUALITATIVE METHODOLOGY

Typically, research designs can be divided into two kinds of methodologies: qualitative and quantitative (Ticehurst & Veal 2000). Both have unique characteristics and are appropriate in different situations. This section justifies the use of the qualitative research methodology by comparing it with the quantitative research methodology and then explains why a qualitative research methodology has been chosen.

**Quantitative research**

Quantitative research involves statistical analysis and focuses on measuring, confirming or validating relationships between variables to develop generalisations that contribute to the theory (Denzin, Norman & Lincoln 2003; Leedy & Ormrod 2005). It therefore relies on numerical evidence drawn from a relatively large sample (e.g. large numbers of people or organisations) to analyse the data and draw conclusions about the population from which the sample was drawn (Ticehurst & Veal 2000).

**Qualitative research**

Qualitative research can be defined as an approach that seeks to describe, decode and translate phenomena in terms of meaning rather than frequency (Maanan 1983). Qualitative research allows the researcher to gather information and do an in-depth exploration of issues, and therefore follows a less structured format with fewer respondents than quantitative methods (Bellenger, Bernhardt & Goldtucker 1989).

Furthermore, qualitative research uses words, sentences and paragraphs rather than numbers (Neuman 1994). Unlike the quantitative methods used to test a theory and make generalisations about populations, qualitative methods are used to build theory and allow for gathering deep and rich information (Eisenhardt 1989). Ticehurst and Veal (2000, p. 95) summarised the advantages of qualitative research as follows:
(i) A method enabling the researcher to understand and explain the personal experiences of individuals.

(ii) Emphasises people’s understanding and interpretations, and can be used for very narrow studies as well as holistic studies that examine the totality of a situation.

(iii) Allows the researcher to experience research issues from a participant’s perspective.

(iv) Uses a combination of techniques and may even invent methods to provide a broad understanding of a social situation and tends to focus on human interest issues that are meaningful to everyday managers.

The qualitative research approach was therefore appropriate for this study for three main reasons. Firstly, this study required rich information to explore and understand the situations, activities and perspectives of SME owner-managers about their business’s social activities. Secondly, previous research relating to this topic and context is limited. Thirdly, it is an appropriate method to answer research which involves ‘what’ or ‘how’ questions (Flick, Kardorff & Steinke 2004) as was the case in this study.

3.2.4 JUSTIFICATION OF CASE STUDY METHOD

A research methodology is a technique used to ‘discover reality’ (Perry, Riege & Brown 1999); however, the methodology must suit the problem under investigation. This section provides justification for the chosen methodology. In order to identify a suitable methodology, Yin’s (1994, p. 4) three factors (Table 3.2) were analysed.
Table 3.2
Factors examined for research methodology

<table>
<thead>
<tr>
<th>Research Method</th>
<th>Form of Research Questions</th>
<th>Requires Control Over Behavioural Events</th>
<th>Focuses on Contemporary Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How, Why</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, What, Where, How Many, How Much</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival Analysis</td>
<td>Who, What, Where, How Many, How Much</td>
<td>No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>History</td>
<td>How, Why</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case Study</td>
<td>How, Why</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Adapted from Yin (1994).

Based on the first factor – that is the form of the research questions, there were three feasible research methods: ‘experiment, history and case study’. Even though not included in Table 3.2, ‘what’ questions can also be answered in case studies if they are explorative in nature (Yin 2009; Saunders et al. 2003). Considering the second factor, ‘experiment’ was eliminated because the researcher had no control over the behavioural events, and nor was he interested in doing so. Instead, the aim was to gather rich detail and astute insights in a natural setting (Neuman 2006). Finally, Yin’s third factor eliminates the option of ‘history’ as a methodology because this is a contemporary research issue.

After considering Yin’s (1994) factors for selecting a research methodology, Perry’s (2001) synthesis of literature and definitions of case research provided a valuable review to confirm the accuracy of the chosen methodology. According to Perry (2001, p. 305), case research:

- is an investigation of a contemporary, dynamic phenomenon with an emerging (as opposed to paradigmatic) body of knowledge (Bonoma 1985; Chetty 1996; Eisenhardt 1989; Gable 1994; Romano 1989; Yin 1994).
- takes place in the phenomenon’s real-life context the boundaries between the phenomenon and context under investigation are unclear (Bonoma 1985; Chetty 1996; Stake 1994; Yin 1994).
- involves explanations of causal links that are too complex for survey or experimental methods (Eisenhardt 1989; McGuire 1997) and single, clear outcomes are not possible (McGuire 1997).
- uses interviews, observation and other methods such as multiple sources of data (Bonoma 1985; Perry 1998a; Robson 1993).

The above summary supports case study as the appropriate choice for this research as it focuses on the complex contemporary issue of corporate social responsibility where the issues of social participation can hardly be differentiated from the business management decisions. Miles and Huberman (1994) explain that qualitative data from case studies provide crucial information needed to explore meanings, perceptions and presuppositions within a social and business environment such as the one investigates in this study. Further, the focus on the construction of theory through flexible interaction between data and theory is a scenario well suited to case research.

3.2.5 JUSTIFICATION FOR MULTIPLE CASE STUDY METHODOLOGY

The rationale for using multiple cases was that each SME is independent and different. Participation in CSR activities varied between cases depending on their characteristics including industry type, business type, ownership structure, character of owner-managers and size of the organisation. Therefore, the study of any single case would have been inadequate to gain the required breadth and depth of information that was essential for the investigation of the research problem. Further reasons for using multiple case studies were based on the advantages of using this design. Firstly, using the findings from multiple case studies makes the overall study more robust (Herriott & Firestone 1983). Secondly, the evidence from multiple case studies is considered compelling (Yin 1994). Thirdly, multiple case studies can provide greater potential for generalisability of findings to formulate theories (Bonoma 1985; Robson 2002). Fourthly, multiple case study approaches allow for cross-case analysis which leads to enriched theory building (Carson et al. 2001).
In comparison, single case study is an effective way of investigation in situations where:

(i) There is a single critical case which needs to be investigated to test a well-formulated theory.
(ii) There is a single extreme or unique case which is rarely found.
(iii) There is an opportunity to investigate a single case which was previously inaccessible for observation.

These conditions were not evident in this research problem. None of the SMEs could have been categorised as a critical, extreme or unique. Rather most of the SMEs were accessible and were incapable of providing the basis for building a theory independently. Therefore, single-case study was considered inappropriate to address the research questions that emerged from the literature review.

3.3 SAMPLING

Following the justifications of the research methodology, a sample design was chosen to collect relevant information for the research problem. The chosen design is a frequently applied and appropriate method that provides quicker and lower-cost results than studying every case of the research problem (Becker 1998; Emory & Cooper 1991). In selecting a valid sample of Australian SMEs, definition of the target population, selection of sampling method, and determination of sample size were essential.

3.3.1 DEFINITION OF TARGET POPULATION

The target population of this research was small and medium enterprises on the Gold Coast region of Australia. In this study, the definition of Australian SMEs was adopted from the Australian Bureau of Statistics which includes all businesses having less than 200 employees. Information about this population was gathered from publicly available sources that include a local business magazine and the local Yellow Pages telephone directory.
3.3.2 SAMPLING METHOD

In contrast to quantitative analysis, where the researcher studies a smaller group to produce accurate generalisations about a larger group, a qualitative researchers’ concern is to find cases that can clarify and deepen understanding (Neuman 2006, p. 219). In this regard, Flick (1998, p. 41) justifies non-probability sampling for qualitative studies to satisfy the relevance to the research topic rather than representing the whole population. Table 3.3 below describes the variety of non-probability sampling techniques that guide qualitative researchers in selecting a representative research sample.

Table 3.3

Non probability sampling procedures

<table>
<thead>
<tr>
<th>Type of sample</th>
<th>Principle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haphazard</td>
<td>Get any cases in any manner that is convenient.</td>
</tr>
<tr>
<td>Quota</td>
<td>Get a preset number of cases in each of several predetermined categories that will reflect the diversity of the population, using haphazard methods.</td>
</tr>
<tr>
<td>Snowball</td>
<td>Get cases using referrals from one or a few cases, and then referrals from those cases, and so forth.</td>
</tr>
<tr>
<td>Deviant case</td>
<td>Get cases that substantially differ from the dominant pattern (a special type of purposive sampling).</td>
</tr>
<tr>
<td>Theoretical</td>
<td>Get cases that will help reveal features that are theoretically important about a particular setting/topic.</td>
</tr>
<tr>
<td>Purposive</td>
<td>Get all possible cases that fit particular criteria, using various methods.</td>
</tr>
<tr>
<td>Sequential</td>
<td>Get cases until there is no additional information or new characteristics (often used with other sampling methods).</td>
</tr>
</tbody>
</table>

Source: Neuman 2006, p. 220

Haphazard sampling has serious drawbacks which can misrepresent the entire population, producing an ineffective sample and distorted data. Such a sampling procedure could have identified samples which were not the focus of this study. Quota sampling was also not
acceptable since it would have been difficult to represent all population characteristics accurately. Investigations of interconnected networks of people and organisations often use the snowball sampling procedure when it is difficult to locate suitable participants. However, in this research, the sample cases were easily located, irrespective of any connections that may have existed between them. Deviant case sampling works well for studying cases that differ from the dominant pattern, and would have been appropriate if the research problem was related to any rare aspect of the CSR–SME relationship. Theoretical sampling, a popular technique for grounded theory research, selects sample cases guided by emerging theoretical interests. The issue in this study was analysed based on the sample case features and therefore theoretical sampling was not considered to be a relevant method.

The two other sampling techniques, purposive and sequential are similar to each other. Both select cases only when they are informative within a specialised population, which in this case, were the SMEs in the Gold Coast region of Australia. These two techniques also facilitate gaining a deeper understanding of the topic. Sequential sampling differs from purposive sampling in only one aspect – the former gathers cases until a saturation point is reached while the latter aims to investigate every possible case. This research used the sequential technique to ensure all possible interpretations were captured until saturation was reached with an optimal use of the available resources.

### 3.3.3 SAMPLING FRAME

From a list of all available SMEs on the Gold Coast, the researcher used sequential sampling based on two features. These were i) type of industry, and ii) number of employees. Such boundaries were necessary to keep the investigation within the researcher’s financial and time constraints (Miles & Huberman 1994).

Industry type was considered an important factor because the researcher felt that more meaningful data could be collected through targeting a mix of SMEs from different industry backgrounds. Based on the fact that a manufacturing enterprise will have different issues from an enterprise within the service sector, samples were conveniently chosen. The aim of this research sampling was to include at least one firm from each industry type, and particularly from industries that are predominant on the Gold Coast. Such a sample also helps in validating the findings externally, as discussed later in Section 3.6 (p. 89).
The second factor, the number of employees, was used to ensure that the participating SME had the right size to provide valuable insights into the research problem. Too small an SME might not be aware of the CSR concept, while comparatively large SMEs with features similar to those of large organisations would have been difficult to access. Therefore, SMEs with 10–100 employees were initially selected for this study. However, due to a poor response rate, this criterion was later modified (refer to Section 4.2, p. 98). Such a purposeful selection of informants is accepted in qualitative studies as an appropriate means of collecting the best answers for the research question (Creswell 1994).

3.3.4 SAMPLE SIZE

For qualitative researchers, there is no ideal number of cases that should be investigated. According to Patton (1990, p. 184) sample size depends on what you want to know, the purpose of the inquiry, what’s at stake, what will be useful, what will have credibility, and what can be done with available time and resources’.

Flick (1998) argues that the ‘appropriateness of the selected sample can be assessed in terms of the degree of possible generalization’ (p. 72).

However, an increase in the sample size with the aim of generalisability and validity can also overload the researcher (Romano 1989). To avoid such a situation, the number of cases recommended by Eisenhardt (1989) is 4–10, until ‘theoretical saturation is achieved’. Perry and Coote (1994) suggest that 4–12 cases can be optimal while Miles and Huberman (1994) warn that more than 15 cases can make a study ‘unwieldy’.

For this research study, it was assumed that there can be more than one person involved in the decision making process of some SMEs. As a result, the researcher had to plan to interview multiple people in each case, depending on the enterprise’s management procedures. Gender and age of the interviewees was not an important factor for sampling because the objective was to discover their overall understanding of, and attitude to, social responsibility. To meet the abovementioned conditions, this research planned for a sample size of 10–15 cases, depending on when theoretical saturation was reached.
3.4 DATA COLLECTION

The previous sections detailed the research paradigm and justified the research methodology and sampling procedure that was adopted for this research. This section describes the data collection activity that was undertaken through semi-structured in-depth interviews following the protocol developed for this case study research.

3.4.1 JUSTIFICATION FOR THE USE OF SEMI-STRUCTURED IN-DEPTH INTERVIEWS

According to Merriam (1998, p. 71), ‘In all forms of qualitative research, some and occasionally all of the data are collected through interviews’. Merriam also states that interviewing is necessary when the researcher is interested in past events or when the researcher cannot directly observe behaviour or people’s feelings – in this case the attitudes and perceptions of SME managers-owners in relation to their business’s social responsibility. Thus, interviewing was the appropriate method of collecting data for this research.

Three primary interview formats were found to exist upon a continuum model of interview types: structured interviews, semi-structured interviews, and unstructured interviews (Jennings 2001; Merriam 1998; Minichiello et al. 1995). At one end of the continuum, structured interviews are described as ‘oral surveys’, in which the same standardised, carefully ordered questions are asked of each respondent (Minichiello et al. 1995). Semi-structured interviews utilise a broad research topic to formulate a set of interview questions used to guide the conversation. Such an interview format allows scope for the researcher to ask probing questions in order to clarify responses (Minichiello et al. 1995). On the other end of the continuum are the unstructured interviews without any formal interview schedule. They rely on the social interaction between the interviewer and interviewee to elicit information (Minichiello et al. 1995).

In extracting the required data, semi-structured interviews were adopted to examine and explore how, why and what factors affected the attitudes of SME owner-managers’ decisions on social responsibility. The rationale behind employing semi-structured interviews was that this technique possesses a distinct advantage due to its ability to collect detailed information regarding the attitudes, opinions, and values of respondents (Jennings 2001). Given that this
study aimed to explore the attitudes, opinions and values of the respondents, structured and unstructured interview techniques were not justified.

The advantages of semi-structured interviews are outlined in this section and lend further justification to its use in this research. Experts in research methodologies advocate use of semi-structured interviews as they are:

1) useful when informants cannot be directly observed (Creswell 1994)
2) allow the researcher to gain some control over the line of questioning (Creswell 1994),
3) permit collection of detailed information like values and opinions more accurately (Jennings 2001),
4) useful for clarification of responses, along with deeper exploration of research issues (Jennings 2001), and
5) provides a more relaxed interview setting (Jennings 2001).

Additionally, Guba’s (1990) three considerations of ontology, epistemology and methodology assisted in justifying the use of semi-structured interviews for this research. As alluded to in Section 3.2.2 (p. 71), this research is grounded in the interpretive social science paradigm, and therefore assumes an ontological view of multiple realities along with a subjective epistemology between the researcher and the participants. Consequently, the use of a structured interview format was not possible. The remaining options were semi-structured and unstructured interviews. Marshall and Rossman (1999, p. 108) state that ‘a degree of systemization in questioning may be necessary in, for example, a multi-site case study or when many participants are interviewed’. Given that this research entailed conducting interviews with a number of SME owners-managers, a semi-structured interview style seemed justified.

**3.4.2 INTERVIEW INSTRUMENT**

Marshall and Rossman (1999) suggest that methods of data collection should relate to the type of information sought. Consequently, the research objectives of this study provided the foundation for the construction of the questions which guided the semi-structured interviews. This was further established through the formulation of the research questions after a
thorough review of the literature was undertaken in Chapter 2. Table 3.4 below outlines the relationship between the research questions and their respective interview questions.

**Table 3.4**

**Interview instrument**

<table>
<thead>
<tr>
<th>Research question (RQ)</th>
<th>Interview questions (IQ)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RQ1 What are the business values of SMEs and how are they oriented?</td>
<td>IQ 1. What are the values/ideals that drive your company?</td>
</tr>
<tr>
<td></td>
<td>IQ 2. How do you incorporate these values into business activities?</td>
</tr>
<tr>
<td>RQ2 How is CSR perceived by SMEs?</td>
<td>IQ 3. What do you understand by the term ‘CSR’?</td>
</tr>
<tr>
<td></td>
<td>IQ 4. Is there any other term (other than ‘CSR’) you would prefer to use?</td>
</tr>
<tr>
<td></td>
<td>IQ 5. Do you think there is any social responsibility of your business?</td>
</tr>
<tr>
<td></td>
<td>IQ 6. How do such expenses impact on the owners and stakeholders?</td>
</tr>
<tr>
<td></td>
<td>IQ 7. Do you find the economic objectives of this business are in contradiction to moral obligations? If so, how do you manage them?</td>
</tr>
<tr>
<td>RQ3 How do SMEs participate in CSR?</td>
<td>IQ8. What is your company doing in the area of CSR (or the other term)?</td>
</tr>
<tr>
<td></td>
<td>IQ 9. How would you like to prioritise (rank) the following options in your business? (Attached as Appendix 3)</td>
</tr>
<tr>
<td></td>
<td>IQ10. Is there any predetermined budget for such expenses? If so, what factors affect them?</td>
</tr>
<tr>
<td>RQ4 Which stakeholders influence CSR participation in SMEs and to what extent?</td>
<td>IQ 11. Could you please tell me how decisions of CSR (or the other term) are taken in this company?</td>
</tr>
<tr>
<td></td>
<td>IQ 12. To what extent do your stakeholders influence such decisions?</td>
</tr>
</tbody>
</table>
Table 3.4

Interview instrument (continued)

<table>
<thead>
<tr>
<th>Research question (RQ)</th>
<th>Interview questions (IQ)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RQ5</strong> Why do SMEs participate in CSR?</td>
<td>IQ 13. Why is your company doing/thinking of doing these things?</td>
</tr>
<tr>
<td></td>
<td>IQ 14. Are there any future plans of your company about CSR (or the other term)? If so, what are they?</td>
</tr>
<tr>
<td><strong>RQ6</strong> What are the barriers to CSR? How can SMEs be encouraged to participate in such activities?</td>
<td>IQ 15. What challenges do you face to undertake CSR (or the other term)?</td>
</tr>
<tr>
<td></td>
<td>IQ 16. What do you think would encourage SMEs to think or act more on CSR (or the other term)?</td>
</tr>
<tr>
<td><strong>RQ7</strong> Do SME owner-managers voluntarily engage themselves with different associations, and if so, why?</td>
<td>IQ 17. Are you, or is your company, a member of any trade union/industry association? If so, what motivated you to be a member?</td>
</tr>
</tbody>
</table>

Source: Developed for this research

3.4.3 PILOT CASE STUDY

Yin (2009) recommends case study researchers conduct pilot case studies in order to refine the data collection process, mainly the content of data and procedures to be followed. Such a formative step helps to clarify prior theory and research questions.

Zikmund (1997, p. 108) defines a pilot study as ‘any small-scale exploratory research technique that uses sampling but does not apply rigorous standards’. Objectives of pilot studies include the formulation of a research instrument, refinement of data collection plans in terms of content and procedures, development of relevant lines of questioning, conceptual clarification of study design and lastly, improvement of field procedures like making

In this research, two pilot case studies were planned, based on the criteria of accessibility and diversity in terms of the size of the businesses (i.e. number of employees). However, low response rates, despite a well planned approach (refer to Table 4.1, p. 100) and difficulties in gaining access to relevant informants restricted the researcher from undertaking this process. As a result, necessary amendments (although very few) were made after consultation with the supervisor and continued on an ongoing basis during data collection.

### 3.4.4 CASE STUDY PROTOCOL

Yin (1994) states that having a case study protocol is necessary for a multiple case study approach. A case study protocol increases the reliability of case studies. It is more than just a research instrument as it also contains the procedures and general rules that are followed during the data collection. In addition, a protocol helps the researcher to stay focussed on the research problem, follow the set structure and complete the case study report without being distracted from the planned approach.
Yin (1994) suggests that the case study protocol should have four sections: an overview, a field procedure, research questions and a case study report guide. Table 3.5 above outlines the case study protocol’s essential components and its adoption in this research. First, an overview of the case study method is provided in Chapter 3 with the review of related literature discussed in Chapter 2. Second, a field procedure protocol was formulated by using the methodology described in the earlier sections of this chapter. Third, case study questions or research questions were presented in Chapter 2 and analysed in Chapter 4. Finally, a guide for this case study report was introduced in Section 1.9 (p. 11) of Chapter 1.

### 3.4.5 CHAIN OF EVIDENCE

Maintaining a chain of evidence is important for increasing the reliability and validity of the information presented in a case study (Yin 2003). It is useful for the researcher to ensure that each step of the study provides clear cross-referencing to methodological procedures and to the resulting evidence (Yin 2003). The components of the chain of evidence for this research are presented in Figure 3.2 below.

---

**Table 3.5**

**Case study protocol**

<table>
<thead>
<tr>
<th>Case study protocol</th>
<th>Essential component</th>
<th>Adoption for this research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview of the case study</td>
<td>Research objective and auspices</td>
<td>Chapter 3</td>
</tr>
<tr>
<td></td>
<td>Case study issues</td>
<td>Chapter 3</td>
</tr>
<tr>
<td></td>
<td>Relevant issues</td>
<td>Chapter 2</td>
</tr>
<tr>
<td>Field procedure</td>
<td>Credentials</td>
<td>Chapter 3</td>
</tr>
<tr>
<td></td>
<td>General source of information</td>
<td>Chapter 3</td>
</tr>
<tr>
<td></td>
<td>Procedural reminder</td>
<td>Chapter 3</td>
</tr>
<tr>
<td>Case study question</td>
<td>Specific questions</td>
<td>Chapter 2</td>
</tr>
<tr>
<td></td>
<td>Potential sources of answers</td>
<td>Chapter 4</td>
</tr>
<tr>
<td>Guide for case study report</td>
<td>Outline</td>
<td>Chapter 1</td>
</tr>
<tr>
<td></td>
<td>Format</td>
<td>Chapter 1</td>
</tr>
</tbody>
</table>

*Source: Adapted from Yin (1989; 1994)*
3.4.6 CASE STUDY TRANSCRIPTS, DOCUMENTATION AND DATA STORAGE

The case study interviews were recorded on tape, transcribed by the researcher and some transcriptions were cross checked by a few participants. The supervisor also reviewed the transcript drafts and provided suggestions regarding the categorisation of key words contained in the transcripts. A database of primary data collected from the interviews and other important documents are stored as hard copies in individual files for each company within a secure environment and will be retained for seven years.

3.5 DATA ANALYSIS

Data analysis is considered the most difficult and least developed aspect of the case study method (Yin 1994). It is ‘a search for patterns in data– recurrent behaviours, objects, or a body of knowledge’ (Neuman 2003, p. 439). There is no single best qualitative data analysis method which is widely accepted (Neuman 2003). Data analysis in this research is closely
related to the way the data was collected. The three-stage process proposed by Miles and Huberman (1994) was adopted. Their suggested process consists of 1) data reduction, 2) data display, and 3) conclusion forming and verification.

Miles and Huberman (1994, p. 10) describe the steps for undertaking this process of analysis as:

Step 1. Data reduction refers to the process of simplifying and transforming collected data into a manageable form, which is generally by way of textual transcriptions. This process occurred continuously throughout this research project.

Step 2. Data display involves the transformation of reduced data into a formation that permits conclusion drawing and action, which in qualitative research is often in the form of extended text. In this step, the research analysis begins with the individual case descriptions and then applies the technique of cross-case analysis.

Step 3. Conclusion forming and verification refers to the researcher noting regularities, patterns, explanations, possible configurations, casual flows and propositions, in addition to confirming the validity of meanings emerging from the data through consultation with field notes or consultation with the respective respondent.

Lending further justification for the use of Miles and Huberman’s (1994) process of data analysis was the fact that the same procedures were successfully implemented earlier in a similar research by Arthur (1999). Arthur’s doctoral research investigates the corporate decision-making process in the purchasing of sport sponsorship opportunities in Australia.

3.6 CRITERIA FOR JUDGING THE QUALITY OF CASE RESEARCH DESIGN

The quality of a case research design is determined by the extent of its validity and reliability (Yin 1994) and the degree of rigor in the theory-building from investigated cases (Wollin 1996). To ensure rigor and enable others to judge the quality of this case study analysis, the researcher applied tests for construct validity, internal validity, external validity and reliability. Further, for each test a case study response tactic was implemented in the appropriate phase of the research as prescribed by Healy and Perry (2000) and Yin (1994).
Table 3.6 below lists the tests, the corresponding case study tactics and the research phase in which they were applied.

Table 3.6
Criteria of research design

<table>
<thead>
<tr>
<th>Tests</th>
<th>Case study tactic</th>
<th>Phase of research in which tactic occurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct validity</td>
<td>Framework from literature</td>
<td>Literature review</td>
</tr>
<tr>
<td></td>
<td>Establish chain of evidence</td>
<td>Data collection</td>
</tr>
<tr>
<td></td>
<td>Use multiple sources of evidence</td>
<td>Data collection</td>
</tr>
<tr>
<td></td>
<td>Interview audit instrument</td>
<td>Data analysis</td>
</tr>
<tr>
<td>Internal Validity</td>
<td>Do pattern matching</td>
<td>Data analysis</td>
</tr>
<tr>
<td></td>
<td>Do explanation building</td>
<td>Data analysis</td>
</tr>
<tr>
<td></td>
<td>Address rival expectations</td>
<td>Data analysis</td>
</tr>
<tr>
<td></td>
<td>Use logic models</td>
<td>Data analysis</td>
</tr>
<tr>
<td>External Validity</td>
<td>Cross case analysis</td>
<td>Data analysis</td>
</tr>
<tr>
<td></td>
<td>Use replication logic in multiple case-studies</td>
<td>Research design</td>
</tr>
<tr>
<td>Reliability</td>
<td>Use case study protocol</td>
<td>Data collection</td>
</tr>
<tr>
<td></td>
<td>Develop case study database</td>
<td>Data collection</td>
</tr>
</tbody>
</table>

*Source: Adapted from Yin (1994, p. 33)*

Construct validity is to establish correct operational measures for the concepts being studied (Perry 2001). It is ‘the ability of a measurement instrument to measure a construct or concept’ (Aaker & Day 1980, p. 598). The heart of case research involves construct validity because researchers applying such a methodology are always trying to establish agreement or disagreement about what a construct means.

Perry (2001) suggests that construct validity in research is achieved in two ways. Firstly, in the initial exploratory stages of case research, each interview allows refinement of the construct. Secondly, the use of prior theory before and during the interviews, that is, checking
and cross-checking ideas with previous researchers in the literature and triangulating the findings as much as possible, also enhances the construct validity of case studies.

The construct validity of this research commenced with a comprehensive review of the literature that formed the theoretical foundation of the study. A chain of evidence (Section 3.4.5, p. 89) presented components of the research in a structured manner which includes research problems, research questions, case study protocol, interview instrument and case study transcripts and data storage. Multiple sources of evidence were also obtained through a comprehensive literature review (Chapter 2). Further, the research interview guide was developed in consultation with the supervisor and gradually modified to address minor issues as they emerged from the first few interviews.

Internal validity is a concern only for causal (explanatory) case studies, in which an experiment is required to establish a direct causal link (Perry 2001; Yin 1994; Zikmund 1997). This is not an appropriate measure for exploratory studies as these studies are not concerned with making causal statements. Therefore, with qualitative research, internal validity is not of a major concern.

However, it was still necessary to eliminate or minimise any contradictions or ambiguity. Internal validity was achieved through reference to prior theory, proper probing during the interviews, and good in-depth listening skills (Perry 2001). During the data analysis stage, linkages were established along with explanations and meanings to ensure that conclusions drawn have been systematically explored (Yin 1994). Internal validity for this research was further enhanced through within-case and cross-case analysis that explained the logic behind the final conclusions (Miles & Huberman 1994; Yin 1994).

External validity is concerned with the generalisability of research findings beyond the scope of the cases to the entire population (Lincoln & Guba 1985; Perry 2001). The participants chosen for this research were owners or managers of SMEs who actively took part in the research issue drawn from a range of business sizes and industry backgrounds. Careful selection of the appropriate cases and participants ensured the external validity in theory building and analytical generalisation (Yin 1994). Further, the use of multiple cases in this study also replicated the findings. However, case research, as Perry (2001, p. 320) mentions, ‘must be primarily theory-building, rather than the testing of the applicability of a theory to a larger population’.
Reliability refers to how consistently a technique measures concepts so that other researchers get the same results when the same process is repeated (Perry 2001; Yin 1994). Therefore, it was necessary to develop a case study protocol in the research design stage and use this protocol to collect data and develop a case database during the data collection procedures. The database provided a copy of all-important documents and evidence used in this research. In short, all details, from the case study questions to the final case study report, were documented to make it possible for others to replicate this study.

In addition to the above procedures, Patton (1990) suggests that credibility of such qualitative studies can be enhanced by triangulation. Four types of triangulation identified by Patton are: i) methods triangulation, ii) data triangulation, iii) investigator triangulation, and iv) theory triangulation. But due to limited time and resources, this research used ‘member-check’ (Goulding 2002; Miles 1979) to increase the trustworthiness of this study. Consistent with the triangulation techniques for validation and credibility, a few key informants in this research acted as ‘judges’ to confirm if the researcher’s interpretation of the responses matched what they expressed during the interviews. Further, the researcher’s supervisor followed the whole research process and provided constructive critical inputs that enhanced the reliability of this research.

3.7 LIMITATIONS OF CASE STUDY METHODOLOGY

Although case research is considered as a distinctive form of empirical inquiry which is rigorous, coherent and based on a justifiable philosophical position (Perry 1998a), the unique characteristics of case study research that produce these strengths may also produce weaknesses (Easterby-Smith, Thorpe & Lowe 1991; Eisenhardt 1989). This section discusses the three major limitations of case study research and how these limitations were overcome in this research.

Firstly, there is an argument that case studies lack rigor and are biased (Easterby-Smith, Thorpe & Lowe 1991; Eisenhardt 1993; Yin 1994). This research has followed the techniques suggested in each stage of the case study research to minimise the lack of rigor and possible biases (refer to Section 3.6, p. 91).
Secondly, it is argued that case study research is not easily open to generalisation (Easterby-Smith, Thorpe & Lowe 1991; Eisenhardt 1993; Yin 1994). As discussed previously, case study research within an interpretivist paradigm aims to generate theories (analytic generalisation) rather than enumerate frequencies (statistical generalisation). Therefore, this research has not used ‘sampling units’ as measurement; rather they were selected as a laboratory investigator selects the topic of a new experiment (Yin 1994, p. 31).

Thirdly, case studies are difficult to conduct because of potential operational and logistical problems (Easterby-Smith, Thorpe & Lowe 1991; Eisenhardt 1993; Yin 1994). This research overcame this problem through detailed planning of the investigation, the design of a research protocol, the preparation of an interview guide and systematic collection of data during the interviews. Logistical issues did not affect this study as the research was locally conducted and the researcher travelled to a place suitable for the interviewee in all cases.

### 3.8 Ethical Considerations

Business research ethics are ‘the codes of behaviour adopted by a group, suggesting what a member of the group ought to do under given circumstances’ (Zikmund 2000, p. 72). Ethical problems may arise in business research if ‘there are conflicting perspectives about behavioural expectations’ (Zikmund 2000, p. 72). Therefore, there was a need to consider any ethical issues that might have affected this research.

The researcher has paid attention to all aspects of research ethics regarding the rights and obligations of both the researcher and the interviewees. These aspects included avoiding plagiarism, being competent and reviewing literature to produce high quality research, avoiding shading the results of the research, informing interviewees about the research, avoiding coercing interviewees to participate, avoiding harming the interviewees, and protecting interviewees’ rights to confidentiality (Ticehurst & Veal 2000; Zikmund 2000).

In addition, this research strictly adhered to Southern Cross University’s code of ethics, as published for doctoral theses by Professor Chad Perry of the Graduate School of Management (1998b). For example, the researcher was careful to explain the purpose of the research to interviewees and to involve them only with their full prior knowledge and
consent. This study avoided any kind of deception by fully informing the interviewees of the details of the research procedures and consequences and by respecting their rights to privacy throughout the process.

3.9 CONCLUSIONS

This chapter presented the selection and justification of the case study research methodology which was used to address the research issues raised in Chapter 2. It included descriptions of research design, the sampling procedure, the data analysis strategy and various steps to ensure the validity and reliability of this study. Figure 3.3 below explains the steps from data collection to research outcomes as discussed in this section. The following chapter analyses the collected data and finally identifies the research findings.
Figure 3.3

Processes from Data Collection to Research outcomes

Data Collection
- Case study of 1-15 SMEs
- Pilot case study of 2 SMEs based on accessibility and diversity (size)
- Interviews of 1 or more people in each SME

Data Analysis
- Data reduction
- Data display
- Conclusion forming and verification

Research outcomes
- Reflection and comparison with literature

Source: Developed for this study
CHAPTER 4

DATA ANALYSIS

4.1 INTRODUCTION

The first chapter provided an overview of the current issues in the area of Corporate Social Responsibility (CSR) with particular attention to Small and Medium Enterprises (SMEs). The discussions were followed by an outline of the rationale for this research, the emerging research problem and the identification of parent and immediate literatures associated with it.

In the second chapter, a thorough analysis of the parent literatures, ‘CSR’, ‘Stakeholder Theory’, ‘Social Capital Theory’ and ‘SMEs’ (Sections 2.2.1, 2.2.2, 2.2.3 and 2.2.4) and the immediate literature – ‘CSR in SMEs’ (section 2.3) was undertaken. It concluded with the formulation of seven research questions (Section 2.3.1) which required further investigation to address the research problem.

Chapter 3 justified the chosen qualitative multiple-case study methodology for the research problem identified in Chapter 1 (Section 1.3). Chapter 3 also explained the sampling procedure (Section 3.3), data collection (Section 3.4), data analysis (Section 3.5), steps that ensured the credibility of this study (Section 3.6), limitations of case study (Section 3.7), ethical considerations (Section 3.8) and finally the conclusions (Section 3.9).

Chapter 4 now discusses the data analysis in detail. First, responses to interview questions from each participant were categorised under each of the seven research questions. Data across the cases were then compared and analysed. The emerging themes and inferences in the form of research findings drawn at the end of this chapter strictly reflect the concepts as they emerged from the collected data.

All existing, advanced and new knowledge thus gained from the data analysis are compared and evaluated with the literature, along with critical insights and discussion in Chapter 5. Figure 4.1 below represents the structure of Chapter 4.
Figure 4.1
Structure of chapter 4

4.1 Introduction

4.2 Overview of the cases

4.3 Pilot interviews

4.4 Analysis of individual cases (A-L)
   4.4.1 Company A
   4.4.2 Company B
   4.4.3 Company C
   4.4.4 Company D
   4.4.5 Company E
   4.4.6 Company F
   4.4.7 Company G
   4.4.8 Company H
   4.4.9 Company I
   4.4.10 Company J
   4.4.11 Company K
   4.4.12 Company L
   4.4.13 Summary of the cases

4.5 Cross-case data analysis
   4.5.1 Introduction
   4.5.2 Research questions and findings
      4.5.2.1 Research question 1
      4.5.2.2 Research question 2
      4.5.2.3 Research question 3
      4.5.2.4 Research question 4
      4.5.2.5 Research question 5
      4.5.2.6 Research question 6
      4.5.2.7 Research question 7

4.6 Summary of findings from RQ1 to RQ7

Source: Developed for this research
4.2 OVERVIEW OF THE CASES

The Gold Coast is the sixth-largest city in Australia and one of the fastest growing regions in the country. Its current population of 515,157 is expected to grow by 13,000 to 16,000 people per year (Gold Coast City Council 2009). Figure 4.2 below shows the location of the studied location.

Figure 4.2
Map of Gold Coast and South-East Queensland, Australia

Source: Gold Coast City Council (website)

An analysis of the jobs held by the resident population in Gold Coast City (Community Profile 2008) in 2006 shows that the three most popular industry sectors are retail trade (27,783 persons employed i.e. 13.4% of total employment), construction (24,492 persons employed i.e. 11.8% of total employment) and accommodation and food services (20,223 persons employed i.e. 9.8% of total employment). In combination, these three industries employed 72,498 people in total or 35.0% of the employed residents. Other major industries include manufacturing (9.2%), health care and social assistance (9.2%), education and training (6.2%), professional, scientific and technical services (5.5%), wholesale trade (4%), administrative and support services (3.7%), transport, postal and warehousing (3.7%) and financial and insurance services (3.1%).
As mentioned in Chapter 3, this research aimed to investigate up to 15 SMEs and one or more individuals per case depending on the CSR decision-making process in the organisation and the availability of the decision makers. In most cases, either the owner or the manager attended the interview and in a few instances, the owner or the manager was accompanied by an assistant. In all cases, they chose not to be interviewed separately.

The target area for this research was the Gold Coast and its neighbouring suburbs. On initial enquiry it was found that no comprehensive list of businesses falling into the SME category existed. Some partial commercial lists were available but the cost of accessing them was prohibitive and the likelihood of their being up-to-date and comprehensive was questionable. Even the Local Economic Development Unit and the Gold Coast Chamber of Commerce were unable to provide a list of SMEs in the area. After an exhaustive enquiry procedure, another approach was taken.

The contact details of the SMEs that were finally contacted came from two publicly available sources. One was a local business magazine that listed small and medium-sized businesses and the second source was the Yellow Pages telephone directory. Each participant was intentionally chosen from varying industries and sizes to ensure a close match with the SME profile in the locality. It should also be noted that this study is only a qualitative comparison and not a quantitative attempt of generalising the outcomes.

The response rate of all the SMEs contacted from both the sources was extremely low. Initial emails to selected SMEs were regularly followed up through telephone calls and repeat emails depending on their availability and preferred mode of communication. While most SMEs refused at the first instance, some businesses like the law firms were particularly reluctant to participate. Businesses expressing a certain level of interest were contacted in several stages over a period of six to seven months. Time seemed to be the biggest problem for the owner-managers of such businesses and on several occasions they had to cancel the interview appointments due to other commitments. This made the selection of cases (in a manner which approximated the SME profile on the Gold Coast) challenging and therefore the final sample varied slightly from what the researcher had initially planned (Section 3.3.3, p. 82). Table 4.1 below lists the total number of varied attempts made to convince the final 12 SMEs to become participants.
Table 4.1
Steps undertaken to obtain the final Sample

<table>
<thead>
<tr>
<th>STEP</th>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>STEP 1</td>
<td>Number of SMEs approached initially through e-mails</td>
<td>72</td>
</tr>
<tr>
<td>STEP 2</td>
<td>Number of positive responses received after Step 1</td>
<td>4</td>
</tr>
<tr>
<td>STEP 3</td>
<td>Number of SMEs contacted via phone calls (except those who agreed/denied to participate in Step 1 and 2)</td>
<td>56</td>
</tr>
<tr>
<td>STEP 4</td>
<td>Number of SMEs expressing their interest to participate</td>
<td>32</td>
</tr>
<tr>
<td>STEP 5</td>
<td>Number of SMEs who were interested after they received the Information Sheet and Consent Form via e-mail</td>
<td>27</td>
</tr>
<tr>
<td>STEP 6</td>
<td>Number of SMEs who were sent follow-up e-mails to fix an appointment (up to 5 e-mails were sent to some SMEs)</td>
<td>27</td>
</tr>
<tr>
<td>STEP 7</td>
<td>Number of SMEs that booked-in a date for the appointment</td>
<td>15</td>
</tr>
<tr>
<td>STEP 8</td>
<td>Number of SMEs that finally participated</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Developed for this research

Seven out of 12 SMEs were selected from the businesses listed on the local business magazine and the rest (five) were chosen from the Yellow Pages. Of the two smallest SMEs, one had three partners without any employees and other had five employees with two owners. In Chapter 3 (Section 3.3.3, p. 80), it was mentioned that companies with less than 10 employees would not be considered because they might be too small to provide valuable insights to the research problem. However, after investigating these businesses and the profiles of their customers (who are SMEs in the same region), they were considered as potential participants who could be informative and increase the diversity among the participants without distorting the findings. The low response rate for participation in this study was another factor that compelled the researcher to accommodate such deviations from the initial sample frame. The only industry represented by more than one SME is accounts and business services and this was the most accessible type of business among those who expressed an interest in participating. However, the profile and services of the two accounts and business services organisations differed substantially.
After collecting data from 12 respondents, attempts at convincing more SMEs to participate were discontinued because the researcher felt that saturation was achieved and the number of cases was reasonable to continue with the data analysis.

For the purpose of maintaining confidentiality (Section 3.8, p. 93), all participating SMEs were renamed. Table 4.2 below lists the pseudo-names of each SME and the industry/business type in which they operated. The first seven SMEs in Table 4.2 below (Companies A, B, C, D, E, F and G) were sourced from the local business magazine and the other five SMEs (Companies H, I, J, K and L) were selected from the Yellow Pages.

<table>
<thead>
<tr>
<th>Name (pseudo-name) of the SME</th>
<th>Industry/Business type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Company A</td>
<td>Language school</td>
</tr>
<tr>
<td>2 Company B</td>
<td>Aviation</td>
</tr>
<tr>
<td>3 Company C</td>
<td>Horse Race and Retail Sales</td>
</tr>
<tr>
<td>4 Company D</td>
<td>Accounting Firm</td>
</tr>
<tr>
<td>5 Company E</td>
<td>Urban Vegetation Management</td>
</tr>
<tr>
<td>6 Company F</td>
<td>Website Designing</td>
</tr>
<tr>
<td>7 Company G</td>
<td>Coffee Shop- Retail Franchise</td>
</tr>
<tr>
<td>8 Company H</td>
<td>Construction</td>
</tr>
<tr>
<td>9 Company I</td>
<td>Fruit and Vegetable Retail</td>
</tr>
<tr>
<td>10 Company J</td>
<td>Accounts and Business Strategy</td>
</tr>
<tr>
<td>11 Company K</td>
<td>Accounting Firm</td>
</tr>
<tr>
<td>12 Company L</td>
<td>Marketing Communication</td>
</tr>
</tbody>
</table>

Source: Developed for this research
4.3 PILOT INTERVIEWS

As mentioned in Section 3.4.3 (p. 85) of Chapter 3, two pilot interviews were supposed to be conducted to refine the data collection procedure and the interview questions, but because of the poor response rates and small number of participants, the researcher could not afford to reduce the sample size further and had to commence with the interviews. However, the interview questions initially developed for data collection were modified after consultation with the supervisor and they were improved as the researcher continued to interview participants.

4.4 ANALYSIS OF INDIVIDUAL CASES

This section gives an overview of all the cases that have been studied. Later in the chapter the data is reduced by data coding to enable themes to be analysed across cases. For each SME, a brief introduction to the business is provided before the data collected during the interview is reduced and discussed in the light of the research questions (refer to Table 4.3, p. 105). Direct quotations from the interview (in italics) have been added occasionally to allow a first-hand understanding of the context as experienced by the researcher.

Table 4.3 below lists the main research questions, their corresponding interview questions and the outcomes of respective research questions that were partly introduced in the interview instrument under Section 3.4.2 (p. 85) of Chapter 3. The outcomes of each research question elicited particular areas of SME management with occasional overlapping between responses to different research questions.

Note: In all of the italics (direct quotes), grammar and words have not been corrected. Mistakes in grammar and expression therefore come from the quotes themselves and not from a lack of editing.
Table 4.3  
Research questions, corresponding interview questions and outcomes

<table>
<thead>
<tr>
<th>Research Questions</th>
<th>Interview Questions (IQ)</th>
<th>Outcomes</th>
</tr>
</thead>
</table>
| RQ1. What are the business values of SMEs and how are they oriented? | IQ 1. What are the values/ideals that drive your company?  
IQ 2. How do you incorporate these values into business activities? | (a) Values/Ideals             |
| RQ2. How is CSR perceived by SMEs?                   | IQ 3. What do you understand by the term ‘CSR’?  
IQ 4. Is there any other term (other than ‘CSR’) you would prefer to use?  
IQ 5. Do you think there is any social responsibility of your business?  
IQ 6. How do such expenses impact on the owners and stakeholders?  
IQ 7. Do you find the economic objectives of this business are in contradiction to moral obligations? If so, how do you manage them? | (b) Knowledge of and attitude to CSR |
| RQ3. How do SMEs participate in CSR?                  | IQ 8. What is your company doing in the area of CSR (or the other term)?  
IQ 9. How would you like to prioritise (rank) the following options in your business? (Attached as Appendix 3, p. 255)  
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*Source: Developed for this research*
4.4.1 COMPANY A

Introduction

This language school has grown over the last eight years to two campuses – one on the Gold Coast and the other in Brisbane. The company is owned by a brother and sister. Approximately 40 staff are employed in total and they teach nearly 400 international students. They are also looking to open more campuses in Australia and internationally with plans to extend their present services in areas like vocational education and other training courses. Turnover was not disclosed by the interviewee. This interview was conducted with one of the two owners of the company.

(a) Values/Ideals of the business

The values that drive this business are quality service, client satisfaction and personality development of their staff. Their commitment and passion is to provide students with a first class educational experience. Number one priority as disclosed by the owner is satisfaction of students. The price charged for their services are at a premium compared to others in the industry and they make sure that all services reflect high standards.

Through teaching and all interactions with the students, this company establishes its superiority and brand image. As a result, considerable importance is attached to employees as they are the ones who deal most frequently with the students. To explain, the interviewee said … the values and ideals are to embrace all our staff and allow them to grow and reach full potential in their roles. They allow staff to be promoted internally and receive more responsibilities in order to develop them as a character.

(b) Knowledge of and attitude to CSR

CSR as understood by this company is to follow the guidelines what you learn from other people. Thus, by looking at other businesses … how companies often grow when they have a good corporate social structure and implementing the same in this company is considered as a socially responsible activity. Looking after staff and … the community that supports them were other aspects of responsible behaviour mentioned during the interview. The owner further explained that supporting the community was something …not necessarily financial but also donating your time.
The word ‘corporate’ in the term CSR was identified as a misrepresentation of the concept. It resembles multinationals and do not see ourselves to be there right now. This company considers social responsibility in business as a better terminology.

The company believes that they have some social obligations and it is important for them. So they operate ethically and honestly. This business also responds to stakeholder requests such as those from their local councillor’s and mayor’s offices … because they know our company is expanding and growing, we should make donations and support the local community. Thus, Company A acknowledges the need to participate in CSR and meet the expectations of their community stakeholders as the business grows.

Earlier, this company used to include their social responsibility expenses in their business plan, but it was so dynamic and ever changing. Presently the owners are independently planning for such expenses after reading the profit-loss balance sheet and they have a good gut feeling to budget for them on their own after growing the profitability of the company. As a justification, the interviewee mentioned… the education sector is a little bit flat at the moment as everyone knows, so it’s just about tightening the efficiencies of the company. But they still view such social involvements as a good platform to grow the business and therefore ready to sacrifice little amount of profits….

(c) Actual and stated behaviour

CSR participation in this company is mainly in the form of donations to charities and refugee and immigrant scholarship schemes. While the former is intended to benefit society, the latter is to help migrants to learn language skills at their institute which will help them to integrate with the Australian society. Therefore, CSR activities are mainly oriented to community issues and discretionary stakeholders who are not directly affected by the company’s performance and do not affect the company.

However, when the interviewee was requested to rank a list (attached as appendix 3) of socially responsible activities from his perspective as an owner, employees were prioritised over their community stakeholders. ‘Additional medical benefits to staff’ was ranked first followed by ‘financial support for employees to enhance professional skills’. ‘Controlling energy usage to reduce operational costs’ came third in his ranking followed by support for community issues and things that may not bring direct economic benefits for the company.
Least important were social activities related to environmental concerns. Therefore, the owner’s ranking of the listed activities was not consistent with the firm’s actual participation.

The budget for social responsibility activities in this company is ad-hoc and flexible. Their participation mostly depends on the expected growth of the industry … if I think there is growth in the industry …. I am prepared to spend money. Therefore, the extent of CSR participation is influenced by the performance of the business and not a formalised process.

(d) Influences on CSR

The interviewee could not identify its stakeholders … well we don’t have any stakeholders … who influence their decisions of CSR participation. According to him, the only stakeholders are … I and my sister…… and we make the decisions. So the term ‘stakeholder’ to this interviewee meant only those who had a direct ownership and interest in the financial outcomes of the business. Even when the researcher explained the terminology, the interviewee was unable to recollect any influence from their stakeholders. But, from his response to RQ2, the local councillor’s and the mayor’s office said … we should make donations and support the local community, it is evident that the company’s decisions are influenced by community members. In contrast, students and employees have little or no say on the company’s intentions in this regard … sometimes we have different staffs recommending donating money to different charities, but generally myself and if I feel like … So the expectations of discretionary and potential stakeholders are more valued than the expectations of dominant stakeholders, at least for issues of CSR participation.

(e) Motivations for CSR

CSR participation is primarily motivated by the belief … that’s the right thing to do and it’s a good feeling. Their aims are mainly altruistic as they … don’t really care about the company benefiting from such involvements. But, there are also some underlying objectives like recognition for CSR participation and increasing the goodwill felt towards the company when staffs, students and agents see, that’s fantastic … This is important for the company as they want to be seen as a premium service provider in the industry. Their future plans, even though they want to do a lot more definitely, are yet to be formalised. Therefore, the actual motivations are not just altruistic but also strategic in the sense that they undertake CSR activities to raise their business profile.
(f) Barriers to and facilitators of CSR

The most challenging issues experienced by this company in its participation in social responsibility activities are time and money.

According to the interviewee, SMEs often compare themselves with other firms when they make decisions about whether to commit to CSR activities and therefore information of other companies obtained through the internet or other media can encourage businesses to do more than economic considerations would dictate. Other strategies to encourage SMEs to commit to CSR activities identified by the interviewee included educating the SMEs about social responsibility and tax incentives from the government. However, the interviewee was doubtful about implementation of the latter due to the prevailing economic conditions since the Global Financial Crisis.

(g) Motivations for (optional) association memberships

The company is a member of several associations. Membership of some of them is optional and for others it is mandatory. Even though the interviewee did not explain how each of them is useful, collectively they are used as a networking and information sharing platform to raise voices against government policies and issues that affect business performance. Further concerns are expressed in relation to their low negotiation power... problem is people lose their motivation to dedicate their man-hours, human resources to make these networks work ... reflecting the lack of resources experienced by the owner and his intention to compensate this through the development of interpersonal relationships between and within different groups of people.
4.4.2 COMPANY B

Introduction

This company was formed in 1998 when some government-owned infrastructures were privatised. The turnover of Company B is around $100 million with a workforce of 66 people (as mentioned in its annual report of 2009). It is a public company and shareholders are primarily fund managers. The board looks after the business strategies whereas all day-to-day matters are overseen by the directors. They also operate two aviation infrastructures elsewhere in Australia and provide additional services for other aviation service providers in different locations. The interviewee is the managing director of this company.

(a) Values/Ideals of the business

The values that drive this company are being part of the community while providing their business services and looking after the society and their environment. Their aims are to do things over and above the regulatory requirements including management of the local environment … beyond the boundaries of the company. As the nature of the business is fundamental to their community, they believe … we really got to win the hearts and minds of our community.

(b) Knowledge of and attitude to CSR

This company’s understanding of CSR is being a part of their community and treating them as you would want to be treated. Nothing in relation to employees or customers was mentioned during this discussion. Thus, community is at the forefront of their understanding of this concept.

The interviewee expressed no concern with the term CSR because … at the end of the day, people measure on what we do and not what we call it. Therefore the company is not bothered about the terminology; rather, it is interested in the practical implications of the concept.

The intention of being part of the community is also driven by … expectations of the community, customers and shareholders. The interviewee also mentioned that over the last 11–12 years … there was a real change in the mindset of the community and the values. Being absolutely strict, upfront and truthful is what motivated the company’s involvement in CSR
activities and therefore it is not just to maintain their good reputation, but also to ensure that they never get caught out … Thus, socially responsible behaviour is a proactive and planned process in this organisation.

Considering the fact that everybody knows we are a reasonably generous sponsor, the company is selective in terms of what they sponsor and how they participate in socially responsible activities. They are mindful of the company’s image and values in matters of sponsorship and therefore they wouldn’t sponsor a football team or the V8 super car race ... rather, they support festivals of health and lifestyle which involves a whole family. Even though none of these choices directly benefit their dominant stakeholders like employees and customers, the intention is to appeal to a larger section of the society.

(c) Actual and stated behaviour

The CSR activities extended from supporting charities and sponsoring various community events and organisations to environmental and wildlife conservation. They also offer paid time off for employees to work for their chosen charities. These activities are undertaken because ..... we tend to be much more engaged … and consequently gain support from the community. In line with their understanding of CSR, the motivations for such involvement are mostly not in response to the demands of their direct stakeholders, but rather encouraging some of them (e.g. staff) to get involved with charities and social work.

When the interviewee was requested to rank a list of probable CSR activities, the responses were somewhat contradictory. Whilst the managing director valued ‘financial support for employees to enhance professional skills’, ‘additional medical benefit for staff’ and ‘reduction of operational costs through controlled energy usage’, community activities like ‘funding a community group which opposes smoking’, ‘sponsor a local football team’ and ‘donations for better cancer treatment’ were the least prioritised ones. So there is a certain level of mismatch between what the company does in the area of CSR and the intentions of the management in this regard.

This company has a fixed budget for socially responsible activities and therefore ... can sponsor something new only if we drop something else behind. Thus, CSR participation is mostly a proactive agenda where the ongoing sponsored organisations have some assurance of the support from this company ... we tend to lock in our sponsorships for a number of years.
(d) Influences on CSR

CSR decisions in this company are a complex formalised process and are not independently taken by the managers. There is a corporate affairs department and all CSR requests come through it. However, decisions about issues that could have a bigger impact on the stakeholders are taken after consultation between the company and the relevant stakeholders. The importance of stakeholders was evident when the managing director mentioned .... it’s more responding to their needs ... even though he did not clarify who these stakeholders were. From the overall discussions it was understood that investors who are keen to see that we are reporting ... government bodies and the community have the biggest influence on the CSR decisions of this company as the interviewee said ... over a longer period of time we got to be genuine ... then it gets recognised by the community and key stakeholders. Therefore, it was understood that the discretionary and dormant stakeholders are more influential than dominant stakeholders with the exception of investors.

(e) Motivations for CSR

Participation in CSR activities is motivated by several aspects with a mix of altruism and self-interest. The interviewee mentioned factors like desire within the management and staff to do it, to be involved and engaged with the community and our directors individually have got a lean towards doing those sorts of things. However, a stronger underlying explanation for such activities is ... we expect recognition ... as an important piece of infrastructure in the community.

Further discussions during the interview revealed the influence of stakeholders when the interviewee said ... our shareholders are interested in that aspect because they deal with ethical investments. He further added ... if we don’t get our message out there, we have got to justify our shareholders’ money being spent. Interestingly, for this case, both the company and its investors are eager to establish the company as a community member, even though their motives are different.
(f) Barriers to and facilitators of CSR

The barriers to CSR as identified by the company are human and financial resources.

When the interviewee was asked to suggest ways that may encourage SMEs to do more about social responsibility, he was a little confused. After thinking for a while, he could not suggest any option other than tax incentives from the government.

(g) Motivations for (optional) association memberships

This company is a member of numerous associations, some of which are optional. Most of these optional memberships help them to engage with our stakeholders and let them see the scope of this organisation. Some stakeholders identified by the interviewee are in the tourism and economic development sectors. Thus, the networking thing of these associations is the main motivation for involvement with various organisations voluntarily.

4.4.3 COMPANY C

Introduction

This company has been operating since 1995 and their turnover is around $150 million. The main activity of this business is selling horses and arranging horse races. The company employs around 30 full-time staff and hires casual part-timers during the sale periods. It’s a private partnership company where six owners (partners) are involved. This company is not the core business for any of the owners. Each owner is a high-profile personality in the community. This interview was conducted with the general manager.

(a) Values/Ideals of the business

The values that drive the business as identified by the company’s general manager are passion, honesty and integrity. Because of their passion, the interviewee said, everyone involved, whether it be the ownership, management or staff, has got an inherit interest in the industry. He explained that as general manager I run this company as if it is my own. The company maintains honesty in its dealings with people and integrity through all business activities.
(b) **Knowledge of and attitude to CSR**

As according to this company, CSR is a case of *how public perceive you*. It is a matter of whether people consider the business as good, honest and reliable. Portraying good business practices and maintaining business ethics in general is what they understand by the concept.

The company did not consider itself to be ‘corporate’ even though it has a substantial turnover. The interviewee said, *to be really honest, we are quite a small business, though a fairly large profile*. Therefore CSR, according to this company, is *more relevant to larger businesses*. Even though the interviewee expressed his concern about the term CSR, he could not come up with anything else that could be more meaningful for their business.

Being a small business, they feel their first responsibility is *to survive* and then *remain profitable*. However, the general manager also acknowledged that there are some social responsibilities to be fulfilled. For example, the interviewee discussed how they were careful to make sure *no one loses their job* and that debts got paid on time during the Global Financial Crisis. Such policies help to raise the trust of their employees and suppliers on the business. In terms of broader social issues, the high-profile owners have the final discretion … *we don’t tend to dictate them what they should be doing*. While the owners, on behalf of the company and personally, participate in social activities based (to a great extent) on their individual social image, the management has limited power to make decisions about CSR.

For community-focussed CSR activities of the company, the owners make the final decisions and *they prefer to do it in the quiet rather than pushing it in a publicity sense*. While the management *don’t do it in a massive way*, there is an overall tendency to behave ethically and responsibly, particularly towards the employees, customers and suppliers, so that the images of their owners never get hurt.

Thus CSR in this company is managed at two levels. Management takes the responsibility for operating the business ethically whereas the owners take the responsibility for maintaining their personal and business reputations.

(c) **Actual and stated behaviour**

CSR activities of this business range from community programs to flexibility at work for employees. The company supports a number of *charities*, mainly for the disabled. Other social issues like *sponsorship* of events and donations are mostly handled by the owners.
Although it does not do much on an individual company level, as a member of the industry we look after a lot of jockey-related issues through fund raising programs and things like that. For the employees, it’s a fairly flexible type of work environment … work times are quite long when the sales are on … we don’t pay overtime, but they can also leave early when they have any personal issues.

From the list of probable CSR activities provided to the interviewee, he ranked the options in a way that indicated a mix of intentions on behalf of the management. ‘Additional medical benefits to staff’ was his first priority followed by ‘donations for better cancer treatment’. ‘Financial support for employees to enhance professional skills’ was third and ranked ahead of other community issues. This was not in line with how the company participates in CSR activities. However, in relation to the socially responsible activities of this company … we tend to leave it to our owners.

This company has a budget for such expenses but it is flexible. If they feel something has a good cause then … it won’t be that we will not do something. The ‘good causes’ mentioned here were not explained in detail by the interviewee. From his response to another question, in which he said we go by what they [the owners] believe protects their good image, it was understood that a ‘good cause’ is something that could benefit their owner’s image. Further confirmation was achieved when the interviewee said … no factors affect the budget except the owners who decide if there is enough reason.

(d) Influences on CSR

The influence of employees, customers, suppliers and the community on the company’s CSR participation is almost negligible. Management receive a few approaches from time to time through internal staff, suppliers and others to participate in various types of activities. These are rarely refused … we tend not to say ‘no’ to too many things … but there isn’t any pressure from them. Rather, the only influence the interviewee identified was … from the top. He added, internally, if we see a good cause, we all support it.

As with their CSR activities, owners have the final power to make the decisions on CSR commitments on behalf of the company. Even though there is a structure in place at the management level to approve such expenses, the interviewee said … you will find our owners also do them independently. Therefore, social responsibility activities are mostly aimed at
maintaining the owners’ high social status and reputation rather than responding to the influences from their internal and external stakeholders.

(e) Motivations for CSR

The goals of the company’s CSR activities are mostly philanthropic because of their owners. The interviewee said, *I think wealthy people by nature have a responsibility to put something back.* Their involvement with the community is *not really to create the reputation or goodwill of this business.* This was also noted from their attitude to CSR ... *they prefer to do it on the quiet rather than pushing it in a publicity sense.*

High social status of the owners, as discussed earlier, motivates the company to participate in CSR. The interviewee explained that the society has a *greater expectation of people like them.* In order to fulfil these social expectations, the company proactively meets the community’s expectations with little or no intention of deriving any commercial benefit from activities which are ... *not publicised.*

(f) Barriers to and facilitators of CSR

Time is the most critical barrier identified by the interviewee. When the researcher asked if ‘lack of knowledge’ affected their CSR participation, the respondent seemed to disagree because ... *society is becoming more in-tuned with social responsibilities now than it was 10-15 years ago.* He added, *we will find companies tend to gravitate towards what the acceptance is.*

In regards to the facilitators, there was no clear indication. Even though government grants and tax reliefs were discussed, the interviewee was doubtful about their impacts. Educating owners and managers is an alternative mentioned that could potentially assist SMEs to do more about CSR. In this regard, the interviewee highlighted how the company’s ‘culture’ is strongly influenced by the owners’ personal characters and values ... *if we didn’t have the owners we do, we might not have as much.*

(g) Motivations for (optional) association memberships

Among the few optional associations the company is involved with, some are industry interest groups that provide them a *status within the industry.* It works as a *networking type of thing* which helps the business to *maintain relationship* with its clients. The interviewee
added, if we are not part of them, we stay outside the group. Therefore, such involvements provide shared representations and development of business networks with stakeholders.

4.4.4 COMPANY D

Introduction

This chartered accountancy and business adviser firm is one of the many branches of the company operating throughout Australia. Each of these branches is independent and pays its own fee to join as a member of the network. Those fees provide technical support, information and access to various experts, technical directors and business platforms. This company conducts business activities according to an international professional standard manual which is prescriptive in terms of ethical requirements and business operations. It also undertakes a regular peer review and monitoring to make sure it is following the benchmarked standards in the network. Turnover is approximately $3–4 million and around 30–35 employees work for this privately owned company. Clients are mainly businesses from a range of sectors on the Gold Coast. The ownership and management lies with five principals and they are also the directors of the company. One of these directors attended the interview with the researcher.

(a) Values/Ideals of the business

The most important value for this company is building long-term relationship with clients through high quality of service. Being a client focussed organisation, it is also keen to maintain a comprehensive relationship with its employees who help the business to maintain its service standards. The organisation is also concerned about its business reputation and therefore it prefers not to bend things to suit customers. The aim of the business is to create a win-win situation while working with people who share common ideals.

(b) Knowledge of and attitude to CSR

CSR as understood by this company is maintaining the ethical standards … working within an acceptable framework or principles. This acceptable framework, according to the interviewee is … every business has its own thoughts on where it should be in that space. The interviewee also believes these principles provide … the platform to go upward with. Precisely, CSR is
seen as following the standards that ideally help businesses to grow their reputation and therefore that’s the philosophy I think should underpin what we do. However, they also think that the capacity to participate in CSR will depend on the profitability and the industry in which a business operates.

The term CSR is unsatisfactory since people don’t identify with what it actually means. He suggested, the word ‘business’ or ‘commerce’ would be more appropriate than ‘corporate’ because it is difficult for them to conceive of their business as a corporation. So Business Social Responsibility or Commerce Social Responsibility is the term they prefer to use instead of CSR.

As according to the director of this business, social responsibility is a … burden on the employer, which should ideally be shared with the employees. Even though the financial costs of CSR have substantial impacts on the business, they are still keen to use CSR as a platform to fulfil some core social objectives.

Based on this ideology, the economic impacts of CSR discussed during the interview are not thought of as a challenge to their moral goals. Rather the company manages such expenses by controlling their extent of CSR participation as the director said … the impact depends on the choice of how much we want to do it.

(c) Actual and stated behaviour

The company actively participates in numerous charities … we generally support a charity once a month … and is involved in sponsorship of sporting events. Funds for charities are raised by both the employees and the owners. Offering work experiences for students from high schools and universities is also a part of the firm’s CSR agenda. Staff members are provided with flexibility in their work arrangements and are offered free morning tea sessions. Each owner individually takes on various responsibilities within the community by looking after educational institutes as a board member, donating money for poor children in third world countries and similar activities. Therefore, social activities include initiatives that help the business to develop relationships with discretionary stakeholders, usually with some arrangements for employees but nothing in particular for their customers.

When the interviewee was requested to rank a list of CSR activities according to his preference, employees seemed to be his first choice and social issues came second. ‘Financial
support for employees to enhance professional skills’ and ‘additional medical benefit to staff’ were the two most preferred social activities. Therefore, it is evident that the director is more interested in CSR activities that are related to internal stakeholders and this, in fact, was different from the way this company participated in CSR.

Budget for CSR expenses is ad hoc and flexible. The directors have the final discretion to plan their CSR participation. This company has no structured approach to CSR. Factors that affected the CSR expenses were not disclosed by the interviewee.

(d) Influences on CSR

The response to this question was very brief and straightforward. The company feels no pressure from its stakeholders in matters of CSR. However, employees are welcome to bring any suggestions to the board in this regard. Therefore, employees could have had some influence on the company’s decisions even though they are not strong. The major influence is conforming to the prescribed standard that is to be followed by all the members of the parent company. The other influence is from the owners who are personally engaged with the community at varying levels. Nothing about the customers was mentioned except from an economic viewpoint … we can’t focus on the giving bit at the expense of the engine that makes it.

CSR decisions in this company are taken independently by the directors after considering the requests they receive from different sources. But reflecting on their understanding of CSR, it seemed that they prefer activities that contribute to the strategic goals of the business and the owners’ personal moral motives.

(e) Motivations for CSR

As inferred from their current activities in this area, underlying motivations are partly philanthropic and partly strategic. From a moral perspective, the company considers CSR as more of a responsibility...to support those who are less fortunate than us and also as a marketing tool ... an advertisement for the business.

Future plans of the company reflect stronger philanthropic intentions. They plan to build a care facility for the handicapped in order to be … happy to have our name associated with it. Therefore, their objectives are not just to leverage out of CSR activities, but also to develop goodwill, favourable images and recognition within the society.
(f) Barriers to and facilitators of CSR

Time is the main impediment to CSR activities. *People in this industry had to work long hours* in order to meet their business goals. Lack of education about CSR, or failure to promote it, is the second challenging factor that the interviewee highlighted.

The director of this organisation believes, *enlightening people about a core code of ethics and social issues that a good business should aspire to* can encourage businesses to think and do more about it. Government initiatives to promote this concept are also expected to bring positive changes in the social attitude of the SMEs.

(g) Motivations for (optional) association memberships

The memberships of different optional associations helped this company to build a network with their clients … *we are in business, our clients are in business*. These associations are considered as *good business resources* which foster and promote their business efforts. In addition, such networks provide a *voice* to negotiate with influential stakeholders through collective action.

4.4.5 COMPANY E

Introduction

This company, which won multiple awards in 2010, was established in 1987 by the present CEO. Later his father and brother joined the company and presently all three of them own the business. They began as a weed control business and now specialise in four main areas: parks and gardens, natural areas, sports turf and road networks. Clients are mainly government bodies like the councils of the Gold Coast, Brisbane, South East Queensland and Northern NSW, along with some private utility companies. At present, approximately 70 employees work in this concern. Management consists of 20 staff including an executive team of four – the Chief Executive Officer, the Chief Marketing Officer, the Financial Officer and the Operations Officer. Turnover was not disclosed by the interviewees, one of whom was the marketing manager and other was her assistant.
(a) **Values/Ideals of the business**

The four values that drive this company are *passionate innovator, achieving more together, taking time to listen* and *do what must be done*. These values are also communicated through the company’s website. The company is *quite passionate about the environment* and tries to manage it in a sustainable way. In order to be innovative, large amounts of profit are reinvested in research and development activities. The company believes *team-work* helps to *achieve more together* and *reinforce the values* within the team members. This company is also keen to listen to others as they believe it helps them to learn, respond and act in a positive and effective manner. The fourth value was explained as *whether it is delivering on a promise to the customer, completing a given task on time, or meeting agreed performance standards, we always do what must be done.*

(b) **Knowledge of and Attitude towards CSR**

The understanding of CSR by the company is *doing your job in a way that does not endanger others or detrimental to the community*. It is also about *minimising the risks in what we are doing even though it’s not something that must be done*. This understanding of CSR strongly reflects the risks or criticisms that are associated with the nature of their work. One of the interviewees added, CSR is *looking outside of our company and trying to enhance ... lives of our community too*. Therefore, CSR as perceived by the interviewees is operating the business ethically while taking care of the community. They added ... as *we are dealing with more about the environment, we probably are more concerned about it.*

The term CSR in relation to SMEs is also an issue. *A lot of people think of it in terms of larger corporations ... but, in every business there is an element of social responsibility ... no matter what their size is*. To make the concept more relevant for all businesses, *Professional Social Responsibility* and *Business Social Responsibility* are the two terms the interviewees suggested.

When they were asked if the company has any social responsibilities, the response was ... *we obviously have got lots to do with environment, parks and others ... we can’t leave chemicals around ...* Therefore, operating the business in an ethical way is something they see as a social responsibility that needs to be fulfilled.
Enquiry about the impacts of the expenses in fulfilling these responsibilities produced a clearer picture of their understanding of CSR. One interviewee mentioned, *we just allow for that [CSR expenses] in our budgeting process.* Within their marketing budget, there is always some allocation for sponsorships … *to minimise our negative impacts.* They also consider such costs as investments that result in *long term benefits.* Thus, CSR is not just a marketing tool for the company but also an investment that creates goodwill and recognition within the community.

(c) **Actual and stated behaviour**

Company E participates in CSR by helping charities, and sponsoring soccer teams and community events. During the interview, they also discussed educating the general public about their services through the company’s website, marketing materials and similar communications as part of their business responsibility. In general, civic engagements help the company to instil a ‘team’ value in their employees, reduce the risks of negative community perceptions and create recognition in the community.

From a list of possible CSR activities provided by the researcher, the interviewees showed their preference for the employees over engagement with the community. ‘Financial support for employees to enhance professional skills’ was the most preferred option. ‘Sponsor a football team’ was the second choice. Whilst it may appear that this company is more concerned about its workers, the underlying motivation is different. Through professional training and sponsorship of soccer teams, they encourage staff to do their jobs in ways that reduce operational risks and reinforce the team spirit. Therefore, the rankings given to social activities are consistent with what the company is doing in the area of CSR.

Keeping in mind these operational risks and the need to gain community support, this company has a predetermined budget for CSR activities. The amount is decided by the management team who compare their previous year’s budget and future strategic plans of the business.

(d) **Influences on CSR**

This company proactively decides to participate in CSR activities. The interviewees clarified: … *don’t think they [the stakeholders] really push it but it appeals to them.* While they also have customers who are tax-paying members of the general public, many of the company’s
customers are government departments. So … if we look good in their tax-payers’ eyes, they more likely will want to use us. Therefore, the company has a desire to behave responsibly in order to gain the approval of members of the community rather than responding to their complaints or pressure.

The decisions on CSR in this company are taken by the management team but the owners have the final say. Therefore, there is very little influence from the internal stakeholders like the employees or customers. It is mainly the expectations of the community that affect the business’s CSR participation.

(e) Motivations for CSR

The motivations for CSR participation are team building and creating brand awareness. The former strengthens relationships within the company, whereas, the latter creates an image of positive association with the community. As evident from their current involvement, this company participates in CSR with the community to establish itself as a part of the community and with employees to improve their quality of service.

The company is also undertaking a brand change strategy to change the perception of the kind of work they do. This further motivates them to get involved with the community and earn its support as a form of insurance which reduces the risk of public criticism.

The company has plans to enter a team at the Gold Coast marathon in near future and participate in some charity activities. Therefore, in line with their present participation, future plans also aim at building stronger bonds within the employees and a positive image within the community.

(f) Barriers to and facilitators of CSR

Time and money are the two major barriers to CSR. In particular, the interviewees mentioned the serious problems the company faces to train casual workers about the responsibility that the business has towards the community.

The interviewees believe that government support through some kind of rebate scheme, information and education to create awareness would encourage SMEs to do more about CSR.
(g) Motivations for (optional) association memberships

The company is a member of numerous associations and social bodies. The motivation to get involved with such organisations is to place the company more favourably and educate the people about the services it provides. In general, these networking instruments help them to raise their profile in the community and build a positive public perception of the company’s activities.

4.4.6 COMPANY F

Introduction

This web designing company has been in operation for the last 11 years. The business started when internet was a new development and therefore evolved with the technology. Clients are mostly from two very different sectors – the SME market and the corporate market. The product is similar for both sectors with some additional features and specifications for corporate customers. Turnover is around $1 million and 15 young employees work in this firm. The interviewee and his wife jointly own the business and are the two managing directors of this business.

(a) Values/Ideals of the business

The most important value that drives the company is to be real. Being honest and authentic encourages customers to trust the commitments made by the company. The interviewee considered himself to have a frank and real personality and it seemed that his character strongly influences the ideals of the company.

While customer satisfaction is an important goal of the business, it never commits to anything that cannot be delivered. In order to develop a long term relationship of trust, the firm tries to negotiate with its customers rather than baffling them. Capacity limitations are readily acknowledged by the company: … we are not shy or scared to say how it is. Through all communication channels, both personal and electronic, the company carefully exhibits the values that reflect its actual competencies and capabilities.
(b) Knowledge of and attitude to CSR

Reflecting his personality and the company’s values, the interviewee boldly accepted that his understanding of the term CSR is … probably very little. The company perceives CSR as something up there but people don’t really think about it as a business because most businesses are uneducated at this field. From responses to other questions, it was apparent that the company sees CSR as helping charities, looking after employees and activities of similar nature.

The organisation does not identify itself as a corporate entity. The interviewee believed ‘corporate’ would [refer to] be bigger companies like Virgin and Telstra … who have plans and procedures of social responsibility. He did not have any suggestions for an alternative term that would be more relevant to SMEs. Rather, the respondent strongly doubted the relevance of the concept to SMEs and questioned the extent of the social involvement that SMEs could afford. He added, we don’t have much money and we grind on our day-to-day stuff.

The company also believes that it has some social responsibilities. According to the interviewee, these responsibilities include being honest to customers and supporting charities. Keeping staff happy is another social responsibility that the company values. To justify their modest participation in CSR activities, the interviewee also said, we are only a web designing company … that’s about the extent that we can.

The owner mentioned, I would love to spend more money on charities … but it just can’t be done. Because of the company’s present limited involvement with CSR activities, it is not costing them a lot of money, rather productivity time which has limited impacts on the business’s performance. However, the owner clearly experiences a tension between the economic and moral objectives of the organisation, mostly because of the capital constraints.

(c) Actual and stated behaviour

The company’s CSR activities range from free work for charities to funding of entertainment programs for its staff. Looking after employees is an important part of their CSR agenda. The interviewee explained, we get pretty bored sitting in front of the computer. So they arrange various entertaining activities to make staff feel like … it’s not all work and we can have
some play. This kind of thing does not cost a lot of money and it is therefore possible for the company to fund them whilst staying within their limited budget.

The interviewee’s ranking of the given CSR activities provided a deeper insight to the company’s actual priorities of CSR involvement. The most preferred action was to sponsor a local football team which can possibly be a source of entertainment for the employees and increase the company’s recognition within the society. Initiatives to improve employee skills came second, followed by activities like ‘donations for better cancer treatment’ and ‘additional medical benefits for staff’. The preference as expressed by the interviewee indicated a trade-off between financial capabilities and moral obligations as discussed earlier. The main intention of the owner-manager, as was evident from the data, was to keep employees and customers happy before considering doing something for the community. As he said earlier……I would love to spend more money on charities … but it just can’t be done. Therefore, this company’s socially responsible activities are similar to what the owner expressed through the rankings he assigned to the given options.

The company has no predetermined budget for CSR expenses and decisions are largely taken on an ad hoc basis. This shows that the informal procedures followed by this company, and it’s planning of social activities, are in accordance with its stakeholders’ salience.

(d) Influences on CSR

As a privately owned company, the interviewee said, we do not really have any stakeholders. However, from his responses to other questions, it was apparent that the company’s CSR decisions are very much aimed at ensuring that customers are satisfied and employees are happy.

The CSR decision-making process discussed by the interviewee confirmed the above inference. The owner explained, we do get lot of people who come up with some ideas … we quickly dismiss them based on hunches and research. Decisions are taken in consultation with stakeholders … we speak to our suppliers … and … our employees most certainly get involved if they see something. However, the final decisions are taken by the owners … it’s me and my wife who participate in the process. Thus, internal stakeholder views are valued even though owners’ personal motivations guide the CSR plans of the business.
(e) **Motivations for CSR**

The objectives of CSR involvement are personal satisfaction, publicity and increasing employee productivity. The interviewee said *it makes me happy* and he considered CSR as a moral thing. While the second owner (the interviewee’s wife) is more philanthropic and interested in *the actual cause of the charity*, the interviewee said, he tries to leverage some benefits out of it. In relation to employees, the company’s intention is to reward them for their performance *… we want to make people here realise that you can’t just sit here and do nothing to get a reward*. As a result, the ultimate goals are strongly influenced by the strategic goals of the business and demands from internal stakeholders. Beyond these, the owners also try to earn recognition through their social involvements like supporting charities and sponsoring other events.

This company has no future plans on CSR. When the interviewee was further requested to explain the reason, he said, *young employees in this company prefer to do ad hoc things*.

(f) **Barriers to and facilitators of CSR**

The two main barriers for the company are time and money. However, during the response to this question, the interviewee stressed more on the issue of a shortage of time. In relation to capital, he said *… I would not say money is a challenge because it depends on what do you do*. This also indicates that the company was quite content with what it was doing to keep its customers and staff happy.

The facilitator identified by the interviewee is the knowledge about CSR. According to him, *SMEs understand CSR as staff parties and those sorts of things* and therefore educating owners and managers is expected to encourage this business sector to participate in social activities more enthusiastically.

(g) **Motivations for (optional) association memberships**

The company is involved with different associations which primarily help the business to develop a network and create awareness of its activities in the community. Even though the interview discussion in relation to the company’s membership portfolio was brief, it was clear that such networks are not used to influence stakeholders; rather, they assisted the business to improve its performance through access to relevant information and publicity.
4.4.7 COMPANY G

Introduction

This is a privately owned franchisee business with 43 coffee stores throughout Queensland and NSW. The company is privately owned by the founder who started this business in 1997. Approximately 16 employees work at the head office with a turnover of $30.5 million. Under the CEO, there is a board of directors that includes the general manager, the franchisee manager, the marketing manager. A group of trainers and administrative staff works under the supervision of the board. This interview was conducted with the marketing manager of the company.

(a) Values/Ideals of the business

The driving values of this company are connection and giving back to the community. They are keen to build relationships with their customers, staff and franchisees. Giving back to the community is named as ‘backyard policy’ by the owner and the company is doing its best to instil this value in its franchisees and encourage them to get involved with their local communities. Whilst community engagement is well integrated with the company’s marketing and business plans, a local area marketing guide is also supplied to each of the franchisees that outlines the ways those outlets can involve with their local communities.

(b) Knowledge of and attitude to CSR

CSR, in the opinion of this company, is about businesses actively participating in their community and giving back where they can. The interviewee also believes that businesses are quite influential and therefore there lies enough opportunity for them to get involved. However, it was not clear if she meant that the levels of influence and opportunity were equal for all businesses.

The word ‘corporate’ in the term CSR was seen as too stagnant and therefore they prefer to use the term ‘backyard policy’ to mean the same thing. The reason for using a different term was not because of the word ‘corporate’, but to make the concept more versatile. The interviewee explained the term was based on the principle of Australians having backyards and looking after one another.
As with its understanding of CSR, the company accepted that there are social responsibilities their business needs to fulfil. In a philanthropic way the interviewee added, our owner has always been a passionate believer that if all small businesses gave what they could, would make a big difference. As a small rapidly growing business, company G believes it has a very good opportunity to do something for others.

This company looks at the long-term benefits social involvement can bring to the business and therefore considers CSR expenses as investments. To accommodate these investments, they do include social activities in their budget but keep it flexible to support any opportunity that may arise. As a result, CSR is proactively thought about and therefore well integrated in the company’s business plans.

(c) Actual and stated behaviour

The CSR activities of this company range from charities, donations, sponsorship of various community events and environmental conservation groups and morning tea for employees. Most of these activities bring no direct economic benefits for the company but definitely improve their image as a good, caring and responsible business.

The motivations of looking after the community and environment are also evident from the preferences the interviewee expressed when ranking the given list of probable CSR activities. ‘Use of marginally dearer environment friendly stationeries’, ‘donations for better cancer treatment’ and ‘sponsor a local football team’ were three of the top four priorities. ‘Additional medical benefit to staff’ was the least preferred option. This explains that CSR activities are not planned according to their stakeholders’ salience.

The company proactively plans for their social responsibilities and has a budget for meeting such expenses. In addition, they have a coffee cart that raises money to support the community. The amount raised from this coffee cart gives them the flexibility to fund ad-hoc opportunities if they consider them worthy.

Decisions of social responsibility in this company are also an inclusive process where employees are encouraged to participate. The culture in the company exhibits their willingness to involve in social activities as the manager said … we are really willing to help. Particularly, younger staff members are more excited and bring various issues to the attention of the management. The final decisions are taken by the owner in consultation with the
marketing department of the company where most of the strategies and relationships with charities are developed and executed.

(d) Influences on CSR

The organisation experiences no pressure from their stakeholders in regard to decisions on social responsibility. The interviewee said, *I get a lot of emails saying ‘I know you guys help a lot, but could you do one more ... but we never felt any pressure because there is a pretty good understanding that we do help out.*

While the company did consider such requests in their decisions, they hardly feel any pressure because they have an in-built proactive attitude towards helping people and engaging in the community. The respondent also acknowledged that *our local community is huge for us.* Therefore, it can be concluded that even though the organisation, at times, responds to requests from their stakeholders, they are not the driving force for their participation in such activities.

(e) Motivations for CSR

The factors that motivate the company to participate in social activities are mainly self satisfaction and reputation. Helping people makes them feel good and the ‘backyard policy’ builds the goodwill towards the business and *that’s something we are passionate about.* Since CSR activities are managed by the marketing department, there is also a strong intention to leverage such involvements to get recognition in the community.

The future plans of the company include helping more charities for kids and supporting environment and conservation associations on a larger scale. The owner encourages franchisees to become involved with these causes to improve the image of the company and thereby get closer to the local communities. This is consistent with the stated intentions of the company to participate in CSR with community stakeholders.

(f) Barriers to and facilitators of CSR

The major barrier to CSR for this company is *working with the charities.* According to the interviewee, *charities run like businesses and they might not be as organised as us.* As a result, it is hard for the company to collaborate with those organisations that are *under-resourced* and *do not have the time and money to send someone out and meet us.* However,
the owner of the business at times took the trouble to share his expertise and help these charities to improve their business skills. Time and information are not seen as a challenge. The interviewee said *time has never been a major issue for us here … and … now there is a pretty good awareness of social responsibility.*

In terms of encouraging SMEs to do more in this area, they feel that the government can’t do anything. On the contrary, building relationship with all stakeholders is seen as something that can create a goodwill and satisfaction. Making employees proud of working in an organisation that does something for others is also believed to encourage SMEs to become socially responsible.

**(g) Motivations for (optional) association memberships**

The company is a member of few associations which support the business through *advertisements and information* aimed at the general public. These bodies also assist in *creating awareness about the environment and issues like that* which can be of interest for businesses. Meetings and conferences are also used as an opportunity to raise funds and donate them for social issues. On the whole, such involvements help the company to promote its brand and engage with the community.

### 4.4.8 COMPANY H

**Introduction**

The company started operating in 1973. The owners, a husband and wife team, got together 32 years ago and have backgrounds in building and accounting respectively. Their son, who has tertiary and trade qualifications, joined the business 12 years ago. All three are presently the directors of this company. However, the son is not a shareholder. The business has grown from one person 38 years ago to around 38–40 employees at present. Their main activity is government stimulus works, including building or renovation of schools, nursing homes and social housing type of projects. The turnover of this business was not disclosed by the interviewee who is one of the owners and directors.
(a) Values/Ideals of the business

The values that drive this company are *profits* and *satisfaction* gained from helping people reach their dreams. They try to make people happy by giving them an *opportunity*, more *responsibility* and *authority*. The organisation values reputation because that helps them to get huge amounts of work from the government, the most valuable client of this business. Being a company in the small local construction industry, the interviewee said ... *everybody knows everybody*. So they maintain integrity and generate relationships of trust through their business dealings by paying subcontractors and employees on time and *doing things in the way they should be done*.

(b) Knowledge of and attitude to CSR

The understanding of CSR by the interviewee is following *business ethics, social ethics, people ethics and being able to sleep at night*. So, it is not just maintaining the ethical levels as a business entity, but also taking responsibility for others and the community as a whole.

The term CSR is also seen as a ‘*moral responsibility*’ where morals are something *more than personal meanings, rather management and family and many more*. According to the interviewee, CSR is not restricted to stakeholders who are involved in the businesses, but also involves a moral responsibility to the people beyond commercial interests. So, this company is not sure if ‘CSR’ is the right term to define the concept.

The company acknowledged that as a business they have some social responsibilities. The most important for them is *training of young people*. The interviewee believes, *the biggest responsibility we have got is to be a teacher, whether it’s the parents or the businessmen*. According to this organisation, if they do not pass on life skills, then they are not doing the right thing. It was therefore evident that the interviewee earns some kind of *satisfaction* from helping young people to learn the skills they need to excel in life.

The impact of CSR expenses is not a major issue for this company and they never find that moral obligations of the business conflict with their economic goals. Whilst the financial effects of socially responsible activities are minimal, their attitude to CSR is altruistic, particularly towards younger people.
(c) Actual and stated behaviour

CSR activities in this company are mostly confined to *sponsorship of sporting events* and *training of young kids from university at tertiary levels* along with *safety and security measures for employees* at work. The interviewee mentioned … *we take these very personal and remain attached*. They are also meticulous about paying all their suppliers and employees on time. This is not something beyond the economic responsibilities of the business, but from their understanding of the concept, it appeared that social responsibility is also about letting people *sleep at night* and honouring others’ trust in the business.

Similar intentions were also evident from the rankings the interviewee assigned to each of the social activities in the list provided during the interview. Options like ‘sponsor a local football team’ and ‘financial support for employees to enhance professional skills’ topped their list followed by others that addressed environmental issues and community benefits. This shows that the interviewee personally preferred CSR activities that increased productivity and the ability of employees to take more responsibility, and activities which supported events that involved younger people rather than the entire community. Therefore the company’s current participation in social activities and the owner’s intentions were found to match closely.

Even though the company does not have any budget allocation for social activities, it is happy to be involved in CSR activities. As the interviewee said … *our doors are open*. CSR for this company is mostly an ongoing process in which any opportunity, if it arises, can be accommodated easily.

(d) Influences on CSR

CSR decisions of this business are not influenced by anybody except the owners…*it’s mostly me, my wife and my son … nobody influences what we do*. They encourage *staff to bring social issues* that can be assisted by the company but none of them have ever done so. Customers, being mostly government departments, seemed to have no impact on the company’s decisions to participate in social activities. Therefore, all decisions are taken independently by the owners based on their own values and motivations.
(e) **Motivations for CSR**

The motivation for participating in social activities is to *create opportunities for other people*. The company keep their social activities *at a very low profile* since *we don’t seek recognition*. The interviewee further clarified the company’s motivation as … *we don’t expect anything out of it but just to see them smile.*

The interviewee’s responses reflect the altruistic attitude and motivation of the business which is to *train young people ... as a teacher*. However, the intention to help the community in other ways is limited. This can be because of the owner’s strong personal attachment and empathy for younger people who may need some guidance and assistance for their personal and professional development. The interviewee further stated … *we don’t sponsor adults.*

Future social responsibility plans of the company display similar objectives. They are looking to help a kid who could have a career in golf and asked his mother to submit a budget plan so that the company can sponsor him. Therefore, CSR activities in this company are not planned according to their stakeholders’ salience. Rather, they are determined by the motivations of the owners.

(f) **Barriers to and facilitators of CSR**

*Time* is the most important issue for CSR activities in this company. According to the interviewee, businesses of their size … *keep struggling on a day-to-day basis to survive*. They always experience a shortage of time to do something additional to what is needed to run the company, particularly in the present economic conditions … *it’s a challenging time due to the Global Financial Crisis and other factors*. *Knowledge* is not considered as a constraint as they believe it can be easily gained. Rather, it is a *matter of exposure* to enough things that assist businesses in making decisions about social responsibility. Money shortages, as mentioned earlier, did not stop this company to participate in social activities, even though they are limited.

Having discussed all these, the interviewee was not able to suggest anything that could encourage or help SMEs to overcome these barriers.
Motivations for (optional) association memberships

The company is a member of a few associations and institutions that help the business in various ways. In addition to legal support and a platform to generate goodwill, membership of these associations helps the business to develop a network to work with the unions. The interviewee added, these networks were used more when the business was smaller. Therefore, such involvements increase the company’s power to negotiate with others and build their reputation within the industry.

4.4.9 COMPANY I

Introduction

This fruit and vegetable store has existed for 26 years and the present owners have been operating it for less than 6 years. The two owners, a husband and wife, manage the business, although, the husband is technically the only director. They have a company trust structure for their business and currently employ 27 people. Turnover of the company was not disclosed by the interviewee. The interview was conducted with both the owners.

(a) Values/Ideals of the business

The ideal that drives this company is to make profit. In order to meet this goal, they try to provide quality service and operate in an efficient and courteous manner. Additional efforts are made to train staff. Training manuals are used to train each staff member up to a certain standard and every employee signs take-off sheets after completing their allocated task. Therefore, employees play a crucial role in helping this business reach its economic goals.

(b) Knowledge of and attitude to CSR

CSR as understood by this fruit and vegetable store is looking after those under our employment and being a responsible corporate citizen of the surrounding district. Therefore, social responsibility for businesses as explained by the owners is not just about taking care of people who have interests in the business, but also about helping people who may not be directly associated with the organisation.
The interviewees expressed their concern about the appropriateness of the term CSR because of the word ‘corporate’. Even though they were sure that CSR is not the right terminology to represent the concept, they were unable to identify any other term that could be more relevant for SMEs.

In terms of the business’s responsibility, the interviewees said their obligations are to provide stable employment, to be a philanthropist and give back to the local community that supports the business. Whilst the business objective is to make profits, their business responsibility extends to people beyond the internal stakeholders even if they do not directly contribute to the economic goals of the organisation.

The altruistic motivation was noted again when the owner said … these expenses do impact us a lot because they come out of our pocket. In spite of substantial financial effect on a small business like this, the owners follow a philosophy that allows them to share their profits to a reasonable degree for reasons which they believe to be morally correct.

Based on this moral value, this business did not feel that the economic objectives are in contradiction to moral obligations, even though it has to absorb the economic impacts of CSR. As the prime objective of the company is to make money, they believe that they can do more for their employees, customers and the society if they earn more. Therefore, it is the extent of participation that varies according to the profit levels and not their intentions.

(c) Actual and stated behaviour

The company’s CSR activities involve funding of charities, sponsorship of local football teams and events, support for community organisations, discounts for disadvantaged people and additional benefits for their staff. They prefer to help charitable organisations that were less publicised rather than the ones that are known to most people. Employees are often mentored and assisted to solve their personal, social and hygiene issues. The business also makes efforts to instil good grooming and a sense of pride in their staff.

An altruistic view of CSR was noted again when the interviewees were given a list of possible socially responsible activities to rank according to their priorities. Options like ‘donation for better cancer treatment’ and ‘funding of a community group that opposes smoking’ were found to lead their preferences, followed by ‘financial support for employees to enhance professional skills’. Lowest in their ranking was ‘additional medical benefit to
employees’. The above order of rankings shows that the owners are strongly inclined to support the community rather than stakeholders with higher salience like suppliers, employees and customers.

There is no predetermined budget for CSR activities. Participation in any particular program depends on its merits and what the company can afford. Therefore, even though there is a strong intention to help the community, the company is compelled to limit its support according to its financial conditions and the closeness of CSR outcomes with their motivations. Since all decisions are made by the owners, CSR activities in this company are strongly influenced by their personal ideologies.

(d) Influences on CSR

CSR decisions in this business are not influenced by anybody except the owners … we do them according to our own decisions. Sometimes their suppliers ask for donations to charities, but that appears to have very little impact on the company’s decisions about CSR participation. In terms of customers, employees and the community, the interviewee did not mention anything in particular. But from the overall information obtained during the data collection process, it was clear that this company proactively participates in CSR based on the personal motivations of the owners.

(e) Motivations for CSR

The only motivation for CSR participation mentioned by one of the interviewees was…we hope to get some goodwill … as a good, caring and responsible corporate citizen. Even though the response was brief, it was also evident that this grocery store, by its nature, is closely associated with its community. Therefore, in being philanthropic, the underlying aim is to create a good image of the firm among local people. The company’s intention to help charities that are less publicised also demonstrates the philanthropic nature of their CSR plans. At the same time, discounts for disadvantaged customers and assistance to employees with their personal, social and hygiene issues reflect the importance they devote to their customers and staff. However, these are not significant enough to conclude that their CSR activities demonstrated stakeholder salience.

There was not much to infer from their future plans as the owners have decided to continue all that they are doing. Therefore, it was concluded that building reputation and gaining
exposure through engagement with the community is the ultimate goal for this business, even if such activities affect the balance sheet of the company.

(f) **Barriers to and facilitators of CSR**

_Time_ and _money_ are the two barriers of CSR identified by the interviewees. Knowledge was not seen as an impediment because they believe that most _businesses have a sense of responsibility_ to their community and customers and they _have an attitude to give_ where they can. This also shows that they have a strong desire to help people around them, but financial and time constraints stop them from undertaking additional social activities.

This company suggests that an easing of government regulations, particularly in terms of time and wages, would encourage SMEs to do a lot more for their employees and the community.

(g) **Motivations for (optional) association memberships**

The business has membership with various associations and industry bodies. These provide them with the power to negotiate on more equal terms with larger organisations … _against government and big grocery companies_ regarding issues related to small retailers. Some of these associations help them _to create business networks but none to create new customers_. This further explains that the company is keen to develop relationships with people from powerful institutions that raise the collective voice and compensate for their low resource slacks.

4.4.10 COMPANY J

**Introduction**

This firm has been around for 63 years in various shapes and forms. Initially there were three branches at Murwillumbah, Mullumbimby and Tweed Heads but now the only branch operates from Coolangatta. They have gone from being a two-partner accounting practice, where the business focus was only on tax returns, to a rebranding of their practice and a change of the business name. Now they deal with business growth strategies and employ 19 fulltime staff. Turnover is around $2.5 million. There are four directors and each of them is an
owner. Among them three are accounting directors and one is the financial planning director. One of the four directors was interviewed for this research.

(a) Values/Ideals of the business

The values that drive this company are to help people to grow their business and create wealth. In particular, they aim to change the mindset of their customers from what they are right now to what they can be. Through all business activities and communication with outsiders, the company tries to provide its customers with the best opportunities. The quality of service is important and maintained by all employees and owners of the business.

(b) Knowledge of and attitude to CSR

By CSR, the company understands raising fund for charities, helping out small clubs and similar community organisations who could not afford to engage an auditor on a regular basis with their auditing. They also consider involvement with various chambers of commerce as a social responsibility because these organisations exist for the community even though they help to raise the awareness of us. However, this is not an exhaustive list of CSR as the director said … there are other things too.

The interviewee expressed his concern about the term CSR. According to him, ‘corporate’ is a company or a business and therefore it does not relate to individuals in the business who should ideally share the organisation’s responsibilities for the society. As a result, they prefer to call it social responsibility instead of CSR.

This organisation acknowledges that they have some social responsibilities to fulfil. The director explained … we survive in our environment right now because of the people around us … so we have to do something and there are a lot of things that businesses can do to be socially responsible. This explains that they have an obligation to give something back to the community which supports their business.

The expenses borne due to CSR activities appeared to have very small impacts. As a result, such expenses are not seen as a burden, rather … more of a morally correct thing that they do. To explain their broader outlook to social responsibility, the interviewee added … we are not obliged to do them rather we choose to do … economic benefits are never taken above what that responsibility is trying to achieve. Therefore, this company has a strong intention to participate in socially responsible activities based on moral feelings.
(c) **Actual and stated behaviour**

CSR activities in this company include fund raising programs, participation in community projects, cleaning of local areas, free audits for small community associations and barbeque lunches, weekend drinks, festival parties and paid time off for employees. Most of these activities benefited their community and staff.

When the interviewee was given a list of probable CSR activities to rank according to his preference, the outcomes were similar to what they were already doing. The assigned rankings exhibited their philanthropic attitude toward CSR participation as mentioned earlier. ‘Donations for better cancer treatment’ and ‘sponsor a local football team’ were ranked higher than ‘additional medical benefit to staff’. Whilst this proves that community is more valued than their staff, the most preferred option was still ‘financial support for employees to enhance professional skills’. However, this was not sufficient to conclude that their social involvement is guided by stakeholder salience because the outcomes of enhanced professional skills training are closely aligned with the core services of this business and not something that would benefit the employees exclusively.

This company has no separate budget for CSR expenses, and these expenses are included within the marketing budget. This demonstrates that CSR is considered as a complementary tool to marketing programs that can increase the business’s exposure and awareness in the community. But expenditure was still seen as a *small amount* which *may or may not increase with the business’ turnover*.

(d) **Influences on CSR**

Decisions on CSR are at the final discretion of the two principals of this company. Even though employees make the management aware of various issues, they do not participate in the decision-making process. This shows that the final judgements are made by the owners who consider all requests that come through the management and are therefore mainly influenced by their own personal motivations.

As the interviewee mentioned, *there are some issues with the charity type of things*, but *management never felt any pressure* from such groups. There was nothing discussed about the influence of their customers and community stakeholders and therefore it was assumed that they have no impact on the company’s CSR decisions.
(e) Motivations for CSR

Motivations for CSR involvement in this company are partly philanthropic and partly strategic. While these aims are not mutually exclusive, influences from stakeholders and society hardly motivate the organisation to participate in these activities. The company believes that *it's good for people to be involved in social activities ... in a way giving something back* to the community. And based on this moral perspective, the company proactively involves itself with various social programs.

From a strategic viewpoint, these community engagements benefit the company as they ... *create goodwill and exposure for the company*. However, as the interviewee mentioned, these strategic objectives are not the driving force for their involvement in CSR.

(f) Barriers to and facilitators of CSR

Time is the biggest CSR challenge for this company and to some extent shortage of funds restricts its community involvement. When the interviewee discussed the factors that affect CSR budgets in the company, he mentioned that increases in turnover *may or may not increase* social activities because of the time consumed by such programs.

When the interviewee was asked to suggest some facilitators of CSR, if any, he was initially a bit doubtful stating ... *social responsibility does not have any intrinsic value ... it comes down to a personal feeling*. Therefore the most influential facilitator he identified is the personal motivation of those concerned. However, he also mentioned that *some tax benefit or relief would encourage businesses but that won’t be for the right reason*. For similar reasons, communication of benefits of CSR is thought to encourage businesses only *if they have a real feeling for their community*.

(g) Motivations for (optional) association memberships

The company is involved with numerous associations, some of which are optional. Whilst the regulatory ones assist the business by creating a *better understanding of our level of expertise for our customers* and *networking*, optional memberships provide the opportunity to mingle with like-minded people and *raise our corporate profile in the community*. Therefore, the company attempts to raise its exposure, and the goodwill felt towards it in the community, through relationship building with people who are not involved in the business.
4.4.11 COMPANY K

Introduction
This accounting company has been operating for 25 years and is owned privately by an elderly couple. The husband is technically the only owner. He started from scratch and his wife is a chartered accountant who works for the company. Both of them actively participate in the management of the business. Present turnover is around $0.5 million with five full-time employees. The firm deals with all the services that businesses and taxation require. The technical owner of this company participated in the interview with the researcher.

(a) Values/Ideals of the business

The values that drive this company are helping other people in business, honesty, building relationships with like-minded people and being able to work within the skills and ability of the owners. This organisation takes care of the taxation and accounting responsibilities that all companies have and attends them with honesty so that their customers can concentrate on their core business activities and sleep at night. And in doing so, this company end up attracting customers it wants to work with.

(b) Knowledge of and attitude to CSR

By CSR, the company understands helping in areas of the community. In addition to this, the interviewee feels health, work and safety measures are part of a responsibility to make the firm’s employees and customers feel reasonably secured. Addressing environmental issues is another area they related to the social responsibility of businesses. Therefore, social responsibility includes looking after the community, employees, customers and the environment.

The word ‘corporate’ in the term CSR is something that raised concern for the meaning it conveys. According to the interviewee, even though the term is technically not misleading, it is in people’s mind that think corporate are bigger companies. However, he had no suggestions for a term that can be more relevant for organisations of their size.

The company acknowledged the responsibilities it has towards the community and mentioned … me and my wife feel and act that way. So, both the owners feel they have a moral
responsibility to help others in their community even though if the expenses involved affect the company. Being a small business with limited financial resources, the interviewee said, *we are really selling time ... time we are losing for such activities does cost us.*

However, they did not think that economic objectives are in contradiction to the moral obligations of the business. It is rather a *lifestyle choice* for them. The owner explained ... *it depends on whether a firm wants to make just money or whether they want to be recognised in the society.* It became evident that the owners prefer to maintain a balance between the two where they can achieve the profits needed to survive and at the same time get some recognition for the social activities they undertake.

(c) Actual and stated behaviour

The CSR activities of this company are limited to free or discounted rates for *financial statements of community organisations.* The owners are personally involved in other social activities, though these were not mentioned specifically. They did not force their staff to do something in this area as they thought *it is up to them* to decide if they want to get involved. In relation to customers, employees and stakeholders, the interviewee provided no information throughout the interview.

However, the preferences in the area of CSR were revealed when the interviewee was requested to rank some social activities according to their priority. ‘Financial support for employees to enhance professional skills’ and ‘additional medical benefit to staff’ were their most preferred social activities. This clearly demonstrates the importance the company give to its workforce. Community projects and environmental concerns were ranked lower. Such ranking indicates that CSR orientation in this company is strongly aligned with their stakeholders’ salience. This highlights a difference between the way this company participated in social activities and the intentions of the owners. Whilst employees are the focus of the owner’s CSR plans, the company as an entity values its community to a substantial extent.

Company K did not have any predetermined budget for CSR expenses. Its planning in this area is ad hoc and this probably means that the economic impact, mentioned earlier by the interviewee, for a planned commitment to CSR would be too much for this small company.
(d) Influences on CSR

CSR decisions in this company are influenced by their stakeholders even though it is not strong … they might be subtle, conversations arise, and matters get discussed. There are no formalised procedures to handle such situations. However, employees never bring any issues to the attention of the owners and therefore it was taken for granted that such requests or pressures come from other stakeholders like their customers or the community.

The interviewee clarified … our firm belongs to the chamber of commerce and from there, a lot of things come up … some member may take some initiative. This shows, not only that the firm became aware of community issues through belonging to such associations, but also the discretion of the owners to behave in certain ways. The owner explained their autonomy in decisions on CSR … it's mainly me and my wife who make such decisions in this company, confirming the limited influence of stakeholders in the process.

(e) Motivations for CSR

The factors that motivate this organisation to participate in CSR are to gain recognition as a friendly business that puts things back into the community, and thereby to create a good image of the company. The owners believe that their CSR activities result in the creation of a more secure business environment for the company and a favourable perception in the eyes of the community because they are doing something beyond what they are required to do. This is consistent with their provision of free or discounted services for community organisations in the locality.

As for the CSR budget, the company has no future plans in this area. They believe … what we do is pretty right.

(f) Barriers to and facilitators of CSR

The barriers to CSR as experienced by this company are mainly time and to a certain extent, cost. From the experience of dealing with small business customers, the interviewee said … pressure on them seems to be large. He added, particularly on the Gold Coast, when economic times are shaky … enormous pressure comes down on firms to stay afloat. So, in addition to time and money, economic conditions appear to make things harder for the SMEs. Since … there is enormous amount of information available … the company does not think a lack of information restricts any business from participating in CSR activities.
Even though information is not seen as a barrier for CSR, the owner believes that *good information coming out from reliable sources* … can positively impact on people’s consciousness. When requested to clarify this statement, he explained that most of the information available through various media fails to convey the actual benefits of CSR and therefore it fails to change people’s behaviour. However, the company is not confident that good information is sufficient to *encourage SMEs in an imperfect world* and therefore suggests that further legislation may be required.

(g) **Motivations for (optional) association memberships**

The company is a member of few associations for which its membership is optional. These associations provide *good information and helpful to people in my industry*. Some are *useful for networking* that enables the company to *be displayed in the community* while others supply *knowledge and support* to deal with their functioning. Most of these associations also *help us to raise issues in taxation and related areas that need government interventions*. Therefore, involvement with such associations allows the company to gain access to valuable information, exposure and the power to negotiate with stronger stakeholders.

4.4.12 COMPANY L

**Introduction**

This business has three directors and all of whom are young owners who have recently graduated. No other employees work in this company. To keep their service costs to a minimum, they do not rent or own an office. They consider themselves to be an agile marketing and communication company which offers flexibility to its customers. Their customers are mostly time-poor small businesses and therefore they deal with them as quickly as possible and provide information that can create a relationship of trust. Turnover of this business was not disclosed by the interviewee. Two of the three directors attended the interview to discuss their perspectives on CSR.

(a) **Values/Ideals of the business**

The driving values of this small and young company are *client satisfaction, relationship building, responsibility towards the environment* and *honesty*. All dealings are made keeping
their customers’ concerns in the forefront. They maintain honesty and courtesy with all suppliers and clients that enable them to develop long-term relationships, no matter how powerful or weak the stakeholders are. In relation to working with clients, they remain in close contact and guide them through the process as opposed to telling them what to do. Since the directors believe that environment is a resource that needs to be managed, the company takes initiative to reduce waste and operates in an environmentally friendly manner. Similarly, with suppliers, they pay fair rates and show due respect in all dealings. According to the one of the interviewees, the attitude of most businesses in their industry is different from theirs.

(b) Knowledge of and attitude to CSR

By the term CSR, this company understands being a community member. They perceive the word ‘responsible’ as meaning ‘being able to respond’. So, according to them it is also about having the capacity and intentions to do something for the community and the environment. The interviewees revealed their philosophical viewpoint as … throwing my little stuff back into the ocean is going to make a big difference.

From their understanding of CSR, they feel that the term has a certain level of disconnect to what it ideally conveys. They said, it’s orientating the level of responsibility to individual people to take actions as a business. So, the issue for this business is with the word ‘corporate’ as it overlooks the individual responsibilities that employees and owners should share on behalf of the company.

Company L has a strong belief that it has had social responsibilities as a business since its inception … when we started our business we saw that one of the things we need to have is charity. Even with their clients, they request them to come up with some social objectives to make them aware of what social responsibility is in a business. Therefore, it is not just acknowledging their own responsibility, but also influencing their customers (small businesses) about how they should be looking at things.

Because this is a small company, CSR expenses have significant impact. However, based on their fundamental values, this organisation did not compromise their social activities for economic benefits. They try to minimise any expenses which are not absolutely essential to meet the requirements of their clients. As an example, we did not need to get things printed
… because they are mostly communicated via email or mobile phones. In similar ways, they manage to cut down unnecessary costs and continue to honour their social obligations.

(c) Actual and stated behaviour

This company’s social activities are mostly inclined towards the conservation of the environment. They try to work with products that are ethically responsible. For example, they use online marketing because it is carbon-free, solar energy to operate electrical appliances, marginally dearer recycled paper material for business cards and they educate their customers and insist them to do similar things. In addition to environmental issues, the owners maintain their superannuation accounts through an ethical investment group.

When a list of probable social activities was provided to the interviewees to rank them according to their preference, a contrasting picture emerged. Financial support for employees to enhance professional skills and additional medical benefits to staff were preferred over environmental concerns. Responsible acts for the community appeared at the bottom of their ranking order. These rankings clearly demonstrate the contradiction between the owners’ motivations and the way this company participates in CSR activities.

There is no budget for CSR activities in this company as it is strongly influenced by its clients. Since most clients are small businesses, they can only afford limited time and money. Therefore, this company allows its clients to fix up a contract (in terms of time and money) and based on that, CSR activities are planned.

(d) Influences on CSR

The decisions about the extent of CSR programs are directly dependent on their clients’ budgets i.e. the amount and timeframe of the contracts. Views about social participation from the friends and family members of the owners are welcomed. In addition to the financial advisor’s opinion, suggestions from other sources are also evaluated during their decision making process. However, from other responses of the interviewees, it was clear that these suggestions are not considered as a pressure on the company, rather a learning process for them as they are inexperienced in business.
(e) Motivations for CSR

The motivations to CSR activities are mostly altruistic … it comes down to personal reasons and happiness. As young entrepreneurs, we see it as a way of shaping the future we want to live in and therefore they are ready to sacrifice some of their profits rather than spending on unnecessary expenses. No financial benefits are sought out of these social activities. The highest reward they expect are personal satisfaction from knowing that we were taking the right actions and being able to live with ourselves. They also believe that if they can’t win the hearts and minds of the community, all actions will be faked. The only business benefit gained from such activities mentioned by the interviewee is goodwill, not just commercial but social and personal too. Basically, it is the personal satisfaction and the company’s image that motivates Company L to participate in social activities.

There are no future plans in this area. It is an evolving process for them. One interviewee explained that future plans of CSR will look into what’s going on around them, what customers want and what social values exist in the community. The only thing they feel should be continued is educating their customers about how they could behave more responsibly. Therefore, CSR decisions are basically altruistic, but because of their limited resources, they are forced to consider customer demands and expectations and thus survive in the commercial world.

(f) Barriers to and facilitators of CSR

Time is the most crucial barrier for CSR activities, followed by money. Even though budgets for social activities are dependent on their customers, money is less of an issue because they are more inclined to participate in CSR by using their skills and behaving responsibly – activities which require minimal monetary resources.

In order to facilitate CSR in SMEs, the interviewees believe SMEs should try to identify and focus on core activities. From the experience of dealing with small businesses, they feel these organisations struggle with a range of services and products which they are not specialised at. This takes away substantial amounts of resources that could have been invested in social activities. Other facilitators, according to the interviewees, include educating company owners about the benefits of CSR and government initiatives that can save time and money.
(g) **Motivations for (optional) association memberships**

The company and its owners are involved with various associations which are not mandatory. The underlying motivations for such engagements are to increase connection with influential people beyond their customers, employees and suppliers and to use the combined power of such networks to negotiate with stronger parties.

### 4.4.13 SUMMARY OF INDIVIDUAL CASES

Individual case studies provided a background to each SME and their responses to each of the seven research questions developed from the literature review. The data was collected through the use of one or more interview questions for each research question presented in Table 4.3 (p. 103).

Starting with an introduction to each company, information on the values driving these organisations reflects their individual disposition and the objectives of the businesses. Knowledge of and attitudes to CSR, participation and intention of the SME owner-managers, influences on CSR decisions, motivations for engagement in CSR, barriers and facilitators of such involvement and finally the motivations for involvement in optional engagements collectively produced a comprehensive overview of the CSR practices in each of these SMEs.

All relevant data collected during the interviews has been supported with frequent direct quotations drawn from the interviewee’s comments (indicated in italics). The next section deals with the identification of commonalities arising out of these individual cases in response to each of the seven research questions.
4.5 CROSS-CASE DATA ANALYSIS BY RESEARCH QUESTIONS

The individual cases analysed in the previous section (Section 4.4) provided a case-by-case understanding of each company and their responses to the research questions. This analysis thus provided the foundation for undertaking a cross-case data analysis to derive the emerging themes and further explore them in detail.

In this section, each research question was examined separately across all cases. This involved the reduction of data from the previous case results, coding where applicable and comparison of the relevant reduced data. Out of this, summaries or tables have been created which provide the data related to the individual research questions. Next, this data has been analysed and interpreted to create a clear answer to each research question. These answers are listed as ‘findings’. Finally for each research question there is a summary of findings.

It should be noted that the researcher’s interpretation and extrapolation from these findings is not included in this chapter, but is the subject of further discussion in Chapter 5.

4.5.1 INTRODUCTION

The cases that were studied varied widely not just across industry types, but also in terms of turnover and number of staff employed. Company E employs the maximum number (70 employees) of staff whereas Company L has the lowest number (3 employees) of staff. In terms of turnover, among those who had disclosed, Company C had the highest turnover ($150 million) whereas company K had lowest turnover ($0.5 million). Table 4.4 below gives an overview of all the cases studied.
Table 4.4

Overview of the Cases studied

<table>
<thead>
<tr>
<th>Name of the Company</th>
<th>Number of Employees</th>
<th>Turnover ($ AUS Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>40</td>
<td>Not Disclosed</td>
</tr>
<tr>
<td>Company B</td>
<td>66</td>
<td>100</td>
</tr>
<tr>
<td>Company C</td>
<td>30+</td>
<td>150</td>
</tr>
<tr>
<td>Company D</td>
<td>30-35</td>
<td>3-4</td>
</tr>
<tr>
<td>Company E</td>
<td>70</td>
<td>Not Disclosed</td>
</tr>
<tr>
<td>Company F</td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td>Company G</td>
<td>16</td>
<td>30.5</td>
</tr>
<tr>
<td>Company H</td>
<td>38-40</td>
<td>Not Disclosed</td>
</tr>
<tr>
<td>Company I</td>
<td>27</td>
<td>Not Disclosed</td>
</tr>
<tr>
<td>Company J</td>
<td>19</td>
<td>2.5</td>
</tr>
<tr>
<td>Company K</td>
<td>5</td>
<td>0.5</td>
</tr>
<tr>
<td>Company L</td>
<td>3</td>
<td>Not Disclosed</td>
</tr>
</tbody>
</table>

Source: Developed for this research

4.5.2 RESEARCH QUESTIONS and FINDINGS

4.5.2.1 RQ 1: What are the business values of SMEs and how are they oriented?

Interview Question 1 asked the interviewees to identify the values/ideals that drive their company and Interview Question 2 requested them to explain how these values/ideals are incorporated into business activities. These questions were aimed at developing an understanding of the underlying business objectives and the approaches firms use to meet them. Table 4.5 below lists the business values driving each SME.
4.5.2.1 (a) Responses to Interview Question 1: What are the values/ideals that drive your company?

Table 4.5

Business values of SMEs

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality Service</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Client satisfaction</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Personality development of staff</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>5</td>
<td>4</td>
<td></td>
<td>4</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Relationship building</td>
<td>✓ With staff and clients</td>
<td>✓ With clients</td>
<td>✓ With staff and clients</td>
<td>✓ With clients</td>
<td>✓ With clients</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Honesty</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>4</td>
</tr>
<tr>
<td>Being a community member</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td>3</td>
</tr>
</tbody>
</table>
Table 4.5
Business values of SMEs (continued)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Being responsible</td>
<td>✓ to society and environment</td>
<td>✓ to society and environment</td>
<td>✓ to staff and suppliers</td>
<td>✓ to staff and society</td>
<td>✓ to the environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Passion</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Helping businesses to grow</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Making Profits</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Developed for this research

NOTE: ‘helping businesses to grow’ in all three instances were the responses of accounting firms. Therefore, these responses could have also been interpreted as ‘quality service’. But from the interview, it was perceived that the underlying value in these cases was something more than just service quality. Rather, it was satisfaction in seeing businesses succeed. Therefore, this factor was coded separately.
From the overall responses of the participants, it was evident that ‘relationship building’ and ‘being responsible’ are two most important factors that drive SMEs. They were of equal importance. However, in relation to business values, the majority of the respondents rated building relationships with their clients and employees higher than building relationships with community stakeholders, and being responsible to the society and/or environment higher than being responsible to their clients or employees.

Finding 1.1: ‘Relationship building’ with customers and employees and ‘being responsible’ to the community are the two major values that drive SMEs.

‘Honesty’ is the third significant value in the SME sector. ‘Being a community member’, ‘helping businesses to grow’ and ‘creating a culture of personality development’ are comparatively less significant values identified from the data. The least important values as interpreted from the data are ‘quality service’, ‘client satisfaction’, ‘passion’ and ‘profit making’.

Finding 1.2: SMEs are not always profit driven.

Companies (Companies D, F, G, K and L) that valued ‘building relationship’ with clients have limited interactions with the community as their customers are mainly businesses except in the case of company G. On the other hand, companies that value ‘being responsible’ to their society and environment (companies B and E), need to work closely with their communities because of the nature of their business.

Finding 1.3: Values driving SMEs vary according to the nature of the business.

4.5.2.1 (b) Responses to Interview Question 2:

How do you incorporate these values into business activities?

Attempts to undertake short coding of the responses to this question were found to lose the richness of information collected due to the wide variety of answers. Therefore, the codes noted below were intentionally left as statements that reveal the range of approaches taken by each company to incorporate their values into their activities.
### Table 4.6

**Methods of incorporating values into business activities**

<table>
<thead>
<tr>
<th>Company</th>
<th>Methods of incorporating values into business activities</th>
</tr>
</thead>
</table>
| Company A   | • Through the organisation’s culture which is exhibited by all staff during their interactions with clients (students).  
              • All clients (students) are made aware of their expected conduct and of the institution’s values during their orientation. |
| Company B   | • Through consultation with local people, government members and all other stakeholders.  
              • Together with financial outcomes, social and environmental outcomes are also published.  
              • Employees are encouraged to be involved in social/community activities. |
| Company C   | • Maintenance of high ethical standards in all business activities.  
              • All business dealings are undertaken with honesty and integrity.  
              • People who manage the business have a passion for the services that the company offer. |
| Company D   | • Maintenance of high ethical standards in all business activities without compromising standards to suit customers.  
              • Business dealings with people who share common ideals.  
              • Employee relationship is highly prioritised through flexible work arrangements, reward systems and other initiatives. |
| Company E   | • Reinvest significant amount of profits in research and development to manage the environment in a better way.  
              • Work in teams to achieve more together while getting new employees acquainted with the company’s values.  
              • Encourage employees to undertake further qualifications. |
| Company F   | • Maintain high ethical standards in all business activities.  
              • Honest and conservative way of business dealings. |
**Table 4.6 (continued)**

**Methods of incorporating values into business activities**

<table>
<thead>
<tr>
<th>Company</th>
<th>Methods</th>
</tr>
</thead>
</table>
| Company G | • Encourage all staff members and franchises to be involved in their local communities.  
           | • Support charities, sponsor events and other social activities as part of the company’s marketing agenda. |
| Company H | • Maintain high ethical standards in all business activities.            |
| Company I | • Train staff to provide quality service.                               
           | • Acknowledge the achievement of staff for their performances.          |
| Company J | • All communications and business activities exhibit the company’s underlying values.  
           | • Work within a framework that enables clients to concentrate on their core business. |
| Company K | • Honest and conservative business dealings that follow social norms.   
           | • Work within a framework that enables the clients to concentrate on their core business. |
| Company L | • Place customer needs at the forefront of all services.                
           | • Involving with the clients and guiding them through the process.      
           | • Deal with suppliers honestly and follow the norms of fair trade.     |

*Source: Developed for this research*

The majority of SMEs incorporated their values into their business activities by following the ethical standards in relation to dealings with their primary stakeholders. Company B, Company E, Company G and to some extent company K made additional efforts to behave responsibly by following the existing social norms. Whilst this question was exclusively related to business values and not to social values, it was still evident that SMEs are keen to build relationships with their clients, employees and community members through honesty and trust.

*Finding 1.4: SMEs incorporate business values through ethical operation and compliance with social norms.*
4.5.2.1 (c) Summary of findings from RQ1:

Research Question 1: What and how are the business values oriented in SMEs?

The values and ideals of SMEs are twofold. From an economic perspective, these organisations aim to develop close relationship with their employees, suppliers, customers and other dominant stakeholders capable of influencing the business financially. From a social perspective, they value responsible behaviour with discretionary stakeholders. Ethical operation was found to be an integral part of SMEs and this explains why they are not always profit driven. In general, SME values have an underlying objective of generating trust with both dominant and discretionary stakeholders. However, the values in participating SMEs also varied according to the nature of the business and their interactions with each category of stakeholder. Table 4.7 below summarises the findings for Research Question 1.

### Table 4.7
Findings from RQ1

<table>
<thead>
<tr>
<th>Finding 1.1</th>
<th>‘Relationship building’ with customers and employees and ‘being responsible’ to the community are the two major driving values of SMEs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finding 1.2</td>
<td>SMEs are not always profit driven.</td>
</tr>
<tr>
<td>Finding 1.3</td>
<td>Values driving SMEs vary according to the nature of the business.</td>
</tr>
<tr>
<td>Finding 1.4</td>
<td>SMEs incorporate business values through ethical operation and compliance with social norms.</td>
</tr>
</tbody>
</table>

*Source: Developed for this research*
4.5.2.2 RQ 2: How is CSR perceived by SMEs?

Interview Question 3 investigated the understanding of the term CSR by the SMEs. Interview Question 4 inquired into whether SME owner-managers could associate their business with the term CSR or do they prefer to use some other term that could be more relevant. Interview Question 5 examined if SMEs believe they have any social obligations as a business. Interview Questions 6 and 7 probed how CSR expenses affected the owners and stakeholders and whether they find economic objectives to be in conflict with moral obligations. The above questions were formulated to get a comprehensive overview of the knowledge and attitudes to CSR in the SME sector.

4.5.2.2 (a) Responses to Interview Question 3:

What do you understand by the term ‘CSR’?

The understanding of the term CSR varied widely between businesses. Table 4.8 below displays the concept of CSR as perceived by the participants.
Table 4.8
Understanding of CSR

<table>
<thead>
<tr>
<th>Companies/CSR Perceived as</th>
<th>Following social norms</th>
<th>Looking after people who support the business</th>
<th>Being a community member</th>
<th>Giving back to the community</th>
<th>Creating/maintaining business reputation</th>
<th>Operating the business ethically</th>
<th>Helping community organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company B</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company C</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Company D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Company E</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company F</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company G</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company H</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company I</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company J</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company K</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company L</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Total</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

*Source: Developed for this research*
The SME owner-managers had varying understandings of the term CSR. ‘Looking after people who support the business’, ‘giving back to the community’, ‘being a community member’ and ‘operating the business ethically’ were the most popular explanations of CSR closely followed by ‘helping community organisations’ and ‘creating/maintaining business reputation’. Amongst the four most popular understandings of CSR, three of them (looking after people who support the business, giving back to the community and being a community member) reflect a stronger philanthropic perception of this term. ‘Helping community organisations’ is another less popular philanthropic understanding noted in some SMEs. Interestingly, none of the respondents view CSR as just an economic or legal responsibility of the business.

Finding 2.1: CSR is a multi-dimensional concept in the SME sector.

Finding 2.2: SMEs perceive CSR as activities that are ethical and/or philanthropic.

The only businesses that considered CSR as something different from the philanthropic activities were Companies C, D and H. According to them, CSR is about building the reputation of the company and/or operating the business ethically. In the case of company C, the interviewee was the general manager of the business who has the responsibility for making CSR decisions mainly related to the employees, customers and suppliers of the firm. This could have negated the philanthropic understanding of CSR as perceived and practised by the company’s owners. Customers of Company D and H are either businesses or governments, and therefore had limited proximity to community stakeholders.

Finding 2.3: SMEs that have limited interactions with the community consider CSR mainly from the viewpoint of primary stakeholders.

4.5.2.2 (b) Responses to Interview Question 4:

Is there any other term (other than CSR) you would prefer to use?

From the responses of all participants, it was evident that SME owner-managers are uncomfortable with the term ‘Corporate Social Responsibility’. In particular, the word ‘corporate’ works against such organisations connecting themselves with the underlying concept. Most of the SMEs (Companies A, C, E, F, I and K) could not identify themselves as a corporate because of the size of their businesses. Others (Companies D, H, J and L) expressed a concern that the term CSR does not identify all individuals (e.g. employees)
associated with a business who should ideally share the responsibilities. The only company that was comfortable with this term was Company B, probably because it was bigger with a larger turnover and additional businesses in other parts of the country.

*Finding 2.4: SMEs cannot relate to the term CSR.*

When the interviewees were asked to suggest a relevant term that can be more meaningful for the SMEs, most of them were unable to do so instantaneously. Since they had no general unprompted ‘name’ for it, further discussions and exploration of the issue identified the responses displayed in Table 4.9 below.

**Table 4.9**

<table>
<thead>
<tr>
<th>Company</th>
<th>Suggested terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>Social Responsibility in Business</td>
</tr>
<tr>
<td>Company B</td>
<td>CSR was considered relevant</td>
</tr>
<tr>
<td>Company C</td>
<td>Nothing mentioned</td>
</tr>
<tr>
<td>Company D</td>
<td>Business/Commerce Social Responsibility</td>
</tr>
<tr>
<td>Company E</td>
<td>Business Social Responsibility/Professional Social Responsibility</td>
</tr>
<tr>
<td>Company F</td>
<td>Nothing mentioned</td>
</tr>
<tr>
<td>Company G</td>
<td>Backyard Policy</td>
</tr>
<tr>
<td>Company H</td>
<td>Moral Responsibility</td>
</tr>
<tr>
<td>Company I</td>
<td>Nothing mentioned</td>
</tr>
<tr>
<td>Company J</td>
<td>Social Responsibility</td>
</tr>
<tr>
<td>Company K</td>
<td>Nothing mentioned</td>
</tr>
<tr>
<td>Company L</td>
<td>Nothing mentioned</td>
</tr>
</tbody>
</table>

*Source: Developed for this research*

From the above list of suggestions provided by the interviewees, ‘**Business Social Responsibility**’ (BSR) emerged as a better term that could convey the same meaning and be relevant for most businesses. Henceforth, the researcher used the term BSR instead of CSR as
the new terminology for the rest of data analysis (Chapter 4) and conclusion (Chapter 5) of this study (except for the research questions and the interview questions framed earlier).

Finding 2.5: Business Social Responsibility (BSR) is a more relevant and meaningful term in comparison to CSR for most businesses, particularly SMEs.

4.5.2.2 (c) Responses to Interview Question 5:

Do you think there is any social responsibility of your business?

Without exception or qualification, all SMEs believed that their businesses have some social obligations. This proves that SMEs not only acknowledge the economic and legal aspects of the business, but also the social responsibilities.

Finding 2.6: SMEs are aware of their social responsibilities along with economic and legal responsibilities.

4.5.2.2 (d) Responses to Interview Question 6:

How do such expenses impact on the owners and stakeholders?

The impacts of Business Social Responsibility expenses were found to be mixed. Of the 12 SMEs, three (Companies F, H and J) experienced very little impact while two (Companies I and K) considered the impacts to be fairly strong. Another six (Companies A, B, C, D, E and L) felt the impact but most of these companies (Companies A, C, D and E) preferred to manage the costs by limiting their BSR activities. Some included them in the budgeting process by minimising expenses that were not absolutely essential (Company L) or by choosing sponsorships and charities that closely matched the company’s profile (Company B). Among all the SMEs interviewed, only one (Company G) considered this expenditure as an investment.

Finding 2.7: SMEs in general experience the impacts of BSR costs but most of them are able to accommodate these expenses in various ways.

Finding 2.8: Economic impacts of BSR expenses do not discourage SMEs from socially responsible initiatives as long as they are within their financial capabilities.
While the impact of BSR expenses affected the owners, none of the SMEs discussed whether there was any impact on other stakeholders. Only Company A mentioned that they did not have any stakeholders because the owners were the only investors. Even though no other company gave such a clear statement, the underlying thought was uniform among all participants except Company B which had external investors in the company. The silence about this part of the question explained that BSR costs were mainly borne by the owners and not shared with their stakeholders. This issue of sharing responsibilities was also mentioned by Companies D, H, J and L (refer to Section 4.5.2.2 (b), p. 160).

Finding 2.9: BSR expenses in SMEs are borne by the business owners only and not by their stakeholders.

4.5.2.2 (e) Responses to Interview Question 7:

Do you find the economic objectives of this business are in contradiction to moral obligations? If so, how do you manage them?

The responses to Interview Question 7 and the explanations for those responses are listed in Table 4.10 below.

Table 4.10

<table>
<thead>
<tr>
<th>Company</th>
<th>Response</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>Yes</td>
<td>It’s a trade-off and economic objectives are more important to fulfil than the social and moral obligations of a business.</td>
</tr>
<tr>
<td>Company B</td>
<td>No</td>
<td>Such activities are taken into account in the business plan.</td>
</tr>
<tr>
<td>Company C</td>
<td>No</td>
<td>The business never compromises with its social responsibilities for the sake of its economic objectives.</td>
</tr>
<tr>
<td>Company D</td>
<td>No</td>
<td>No explanation provided.</td>
</tr>
<tr>
<td>Company E</td>
<td>No</td>
<td>Even though such expenses affect the shareholders (owners), these are also the investments that pay off in the long run.</td>
</tr>
</tbody>
</table>
Table 4.10 (continued)

Conflict between economic objectives and moral obligations in SMEs

<table>
<thead>
<tr>
<th>Company</th>
<th>Response</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company F</td>
<td>Yes</td>
<td>Because of the costs and economic objectives are more important to fulfil than the social and moral obligations of the business.</td>
</tr>
<tr>
<td>Company G</td>
<td>No</td>
<td>Such expenses are considered in the budget which is flexible too.</td>
</tr>
<tr>
<td>Company H</td>
<td>No</td>
<td>No explanation provided.</td>
</tr>
<tr>
<td>Company I</td>
<td>No</td>
<td>Business objectives are economic which in turn funds moral responsibilities.</td>
</tr>
<tr>
<td>Company J</td>
<td>No</td>
<td>Business responsibility is a morally correct thing and the company is not obliged, rather, it chooses to do them.</td>
</tr>
<tr>
<td>Company K</td>
<td>No</td>
<td>No explanation provided.</td>
</tr>
<tr>
<td>Company L</td>
<td>No</td>
<td>From a broader perspective social responsibilities and moral obligations when fulfilled generate higher returns in the long run.</td>
</tr>
</tbody>
</table>

Source: Developed for this research

Most of the SMEs (except Companies A and F) agreed that there is no contradiction between the economic objectives and their moral obligations. The majority of these SMEs consider BSR as morally correct behaviour and some SMEs proactively plan for such expenses within their budget. In general, the SMEs believe that businesses need to remain profitable in order to meet their moral obligations.

Finding 2.10: SMEs rarely experience their economic objectives to be in conflict with their moral obligations.

Finding 2.11: Attitudes to BSR in SMEs are mostly moral and occasionally proactive in relation to funding of BSR expenses.
4.5.2.2 (f) Summary of findings from RQ2

Research Question 2: How is CSR perceived by SMEs?

The understanding of BSR in the SME sector is not uniform. It ranges from helping people in the community philanthropically to ethical operation and the creation of goodwill for the business. The terminology also tends to make SMEs feel disconnected with the concept and this led many respondents to suggest different terms that were more relevant for smaller businesses. Most SMEs perceive BSR from a philanthropic viewpoint whereas very few evaluate the direct benefits that can be reaped through such involvements. Whilst expenses of BSR commitments always affect their low resource slacks, almost every SME still participate in social activities. Table 4.11 below summarises the findings for Research Question 2.

Table 4.11
Findings from RQ2

<table>
<thead>
<tr>
<th>Finding 2.1</th>
<th>CSR is a multi-dimensional concept in the SME sector.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finding 2.2</td>
<td>SMEs perceive CSR as activities that are ethical and/or philanthropic.</td>
</tr>
<tr>
<td>Finding 2.3</td>
<td>SMEs that have limited interactions with the community consider CSR mainly from the viewpoint of primary stakeholders.</td>
</tr>
<tr>
<td>Finding 2.4</td>
<td>SMEs cannot relate to the term CSR.</td>
</tr>
<tr>
<td>Finding 2.5</td>
<td>Business Social Responsibility (BSR) is a more relevant and meaningful term in comparison to CSR for most businesses, particularly SMEs.</td>
</tr>
<tr>
<td>Finding 2.6</td>
<td>SMEs are aware of their social responsibilities along with economic and legal responsibilities.</td>
</tr>
<tr>
<td>Finding 2.7</td>
<td>SMEs in general experience the impacts of BSR costs but most of them are able to accommodate these expenses in various ways.</td>
</tr>
<tr>
<td>Finding 2.8</td>
<td>Economic impacts of BSR expenses do not discourage SMEs from socially responsible initiatives as long as they are within their financial capabilities.</td>
</tr>
<tr>
<td>Finding 2.9</td>
<td>BSR expenses in SMEs are borne by the business owners only and not by their stakeholders.</td>
</tr>
</tbody>
</table>
Table 4.11 (continued)

Findings from RQ2

| Finding 2.10 | SMEs rarely experience their economic objectives to be in conflict with their moral obligations. |
| Finding 2.11 | Attitude to BSR in SMEs is mostly moral and occasionally proactive in relation to funding of BSR expenses. |

Source: Developed for this research

4.5.2.3 RQ 3: How do SMEs participate in CSR?

Interview Question 8 examined the CSR activities in which SMEs participate. Interview Question 9 provided a list of CSR activities and asked the interviewees to rank them according to their preferences to see if their stated behaviour was identical with what the company was doing (actual behaviour). Interview Question 10 queried if SMEs have any predetermined budget for CSR expenses and what factors affect this budget. The questions were framed to examine the extent of SME’s CSR activities, how much planning was involved and whether the interviewee’s statements about CSR were consistent with the actual behaviours of the SME.

4.5.2.3 (a) Responses to Interview Question 8:

**What is your company doing in the area of CSR (or the other term)?**

The table below lists the different categories of BSR activities undertaken by the SMEs and displays the number of SMEs participating under each of the stated categories.
Table 4.12
BSR activities of SMEs

<table>
<thead>
<tr>
<th>Companies/BSR activities</th>
<th>Charities</th>
<th>Sponsorships</th>
<th>Staff Benefits</th>
<th>Discounted/free services/products</th>
<th>Fundraising</th>
<th>Personal social involvement by owners</th>
<th>Looking after the environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company B</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company C</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company D</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company E</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company F</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company G</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company H</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company I</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company J</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company K</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company L</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td><strong>5</strong></td>
<td><strong>5</strong></td>
<td><strong>4</strong></td>
<td><strong>5</strong></td>
<td><strong>3</strong></td>
<td><strong>3</strong></td>
</tr>
</tbody>
</table>

*Source: Developed for this research*
Table 4.12 above shows that BSR participation in SMEs is mostly philanthropic. Charities are the most common activity, closely followed by sponsorships, fund raising and employee benefits. Among these top four commonly practised social activities, staff benefits is the only form of BSR that is aimed at the business’s primary stakeholders while the rest are oriented towards their discretionary/secondary stakeholders. All other socially responsible activities undertaken by SMEs mostly involve their broader community.

*Finding 3.1: BSR participation in SMEs is predominantly with community groups.*

*Finding 3.2: Amongst the operational stakeholders, BSR activities of SMEs are mostly confined to their employees.*

Companies F, K and L were the only SMEs that did not participate in any of the following activities – charities, sponsorships and fund raising. These three companies deal with clients who are mainly businesses from different profiles and industries and therefore have limited interaction with the society. Another factor that is common among these companies is their smaller size, both in terms of number of employees and turnover.

*Finding 3.3: Participation in community oriented BSR activities depends on the nature and size of the business.*

4.5.2.3 (b) **Responses to Interview Question 9:**

How would you like to prioritise (rank) the following options in your business?

All owners-managers interviewed for this study were provided with a list of BSR activities (attached as appendix 3) to rank them according to their preferences. Table 4.13 below displays the rankings they assigned to each of those activities.
Table 4.13
Stated preference of BSR activities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>3</td>
<td>7</td>
<td>7</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td>5</td>
<td></td>
<td>4.33</td>
</tr>
<tr>
<td>Donations for better cancer treatment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional medical benefit to Staff</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td>2</td>
<td>2</td>
<td></td>
<td>4.0</td>
</tr>
<tr>
<td>Use of marginally dearer environment friendly stationery</td>
<td>7</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>7</td>
<td>3</td>
<td></td>
<td>4.0</td>
</tr>
<tr>
<td>Sponsor a local football team</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>6</td>
<td>3</td>
<td>4</td>
<td>6</td>
<td></td>
<td>4.33</td>
</tr>
<tr>
<td>Funding a community group which opposes smoking</td>
<td>5</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>7</td>
<td></td>
<td>5.66</td>
</tr>
<tr>
<td>Financial support for employees to enhance professional skills</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td>2.17</td>
</tr>
<tr>
<td>Control energy usage to reduce operational costs</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td></td>
<td>3.5</td>
</tr>
</tbody>
</table>

Source: Developed for this research
From the above table, it is evident that SME owner-managers are more inclined to participate in BSR activities that benefit their definitive and dominant stakeholders (particularly employees). Two of the most proffered activities – ‘financial support for employees to enhance professional skills’ and ‘control energy usage to reduce operational costs’ are directly related to the immediate profitability of the business. Therefore economic responsibilities are the most preferred BSR activities from the viewpoint of the interviewees.

**Finding 3.4:** SME owner-managers personally have a short-term economic perspective when participating in BSR activities.

All options for community engagement and social involvement (sponsor a local football team, donations for better cancer treatment and funding a community group which opposes smoking) are the least favoured BSR actions reported by the interviewees. This clearly contradicts Finding 3.1 because the actual behaviour of the SMEs is just the opposite of what their owners and managers intend to do.

**4.5.2.3 (c) Responses to Interview Question 10:**

Is there any predetermined budget for such expenses? If so, what factors affect them?

Table 4.14 below describes whether SMEs had a predetermined budget for BSR activities and the factors that affected such expenses.
Table 4.14
BSR budget in SMEs

<table>
<thead>
<tr>
<th>Company</th>
<th>BSR budget</th>
<th>Factors affecting the BSR expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>No</td>
<td>Depends on the expected growth in the industry.</td>
</tr>
<tr>
<td>Company B</td>
<td>Yes</td>
<td>Depends on the performance of the business.</td>
</tr>
<tr>
<td>Company C</td>
<td>Yes</td>
<td>Depends on the outcome and owners’ opinion.</td>
</tr>
<tr>
<td>Company D</td>
<td>No</td>
<td>Nothing mentioned</td>
</tr>
<tr>
<td>Company E</td>
<td>Yes</td>
<td>Depends on last year’s budget and future plans.</td>
</tr>
<tr>
<td>Company F</td>
<td>No</td>
<td>Nothing mentioned</td>
</tr>
<tr>
<td>Company G</td>
<td>Yes</td>
<td>Nothing mentioned</td>
</tr>
<tr>
<td>Company H</td>
<td>No</td>
<td>Nothing mentioned</td>
</tr>
<tr>
<td>Company I</td>
<td>No</td>
<td>Depends on the merits of a particular activity.</td>
</tr>
<tr>
<td>Company J</td>
<td>Yes</td>
<td>Depends on past year’s business performance.</td>
</tr>
<tr>
<td>Company K</td>
<td>No</td>
<td>Nothing mentioned</td>
</tr>
<tr>
<td>Company L</td>
<td>No</td>
<td>Depends on the clients’ time and cost constraints.</td>
</tr>
</tbody>
</table>

*Source: Developed for this research*

From the above table, it is evident that most (7 out of 12) of the SMEs did not have a predetermined budget for BSR expenses.

*Finding 3.5: BSR budgets are largely ad hoc and are therefore not strategically oriented in SMEs.*

Companies with a predetermined budget (Companies B, C, E, G and J) are closely associated with their community by the nature of their business except company J. Table 4.12 shows that Companies B, C, E and G are also more active in community oriented BSR activities. This also supports Finding 2.3 of Research Question 2.

*Finding 3.6: SMEs that are close to their community actively participate in community oriented BSR.*
Of seven SMEs that identified the factors affecting their BSR budget or participation, five SMEs said they are affected by the economic parameters of the business.

*Finding 3.7:* The extent of participation in BSR activities depends on the SMEs’ business performance.

*Finding 3.8:* Economic conditions are important for SMEs to survive and participate in BSR.

4.5.2.3 (d) Summary of findings from RQ3

Research Question 3: How do SMEs participate in CSR?

SMEs were found to actively participate in socially responsible activities, although participation varied in nature and extent depending on the characteristics of the business. The most popular BSR practice is helping charities, closely followed by sponsorships, staff benefits and fund raising programs. Whilst most of these activities require the SME to build networks with their community stakeholders at different levels, there are fewer initiatives to engage with the dominant stakeholders. Further, none of the participants were found to engage with their customers and suppliers. Therefore, BSR participation by SMEs focused more on discretionary stakeholders compared to dominant stakeholders.

However, all SME owner-managers expressed intentions about participating in BSR which prioritised definitive and dominant stakeholders above community stakeholders. This discrepancy between actual and stated behaviour highlights that there is some other factor which motivates SMEs to engage more with their society than with higher salient stakeholders. It was also noted that the majority of SMEs did not have a strategic approach to participate in BSR. Planning of social participation was largely ad hoc and the budget for such expenses mostly depends on the economic performance of the business. Since resources are a constraint for SMEs, the extent of BSR participation did not always reflect their actual intentions. Nevertheless, it was evident from the social activities of SMEs that community and discretionary stakeholders are more important even though their direct influence on the performance of the business is limited. Table 4.15 below summarises the findings for Research Question 3.
Table 4.15
Findings from RQ3

<table>
<thead>
<tr>
<th>Finding 3.1</th>
<th>BSR participation in SMEs is predominantly with community groups.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finding 3.2</td>
<td>Amongst the operational stakeholders, BSR activities of SMEs are mostly confined to their employees.</td>
</tr>
<tr>
<td>Finding 3.3</td>
<td>Participation in community oriented BSR activities depends on the nature and size of the business.</td>
</tr>
<tr>
<td>Finding 3.4</td>
<td>SME owner-managers personally have a short-term economic perspective when participating in BSR activities.</td>
</tr>
<tr>
<td>Finding 3.5</td>
<td>BSR budgets are largely ad hoc and are therefore not strategically oriented in SMEs.</td>
</tr>
<tr>
<td>Finding 3.6</td>
<td>SMEs that are close to their community actively participate in community oriented BSR.</td>
</tr>
<tr>
<td>Finding 3.7</td>
<td>The extent of participation in BSR activities depends on the SMEs’ business performance.</td>
</tr>
<tr>
<td>Finding 3.8</td>
<td>Economic conditions are important for SMEs to survive and participate in BSR.</td>
</tr>
</tbody>
</table>

Source: Developed for this research

4.5.2.4 RQ 4: Which stakeholders influence CSR participation in SMEs and to what extent?

Interview Question 11 examined how decisions of CSR are taken by the SMEs. Interview Question 12 asked the SME owner-managers to explain the influences of their stakeholders on the CSR decisions of the company. These questions were aimed at investigating what factors affect CSR decisions in SMEs, and how they do so.

4.5.2.4 (a) Responses to Interview Question 11:

Could you please tell me how decisions of CSR (or the other term) are taken in this company?
A brief summary of the responses from all participants to this question is shown in Table 4.16 below:

Table 4.16  
Decision makers of BSR in SMEs

<table>
<thead>
<tr>
<th>Company</th>
<th>Deciders of BSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>Mainly the owners (family members) make the decisions independently. Requests from staff are considered at times.</td>
</tr>
<tr>
<td>Company B</td>
<td>Major decisions are made by the corporate affairs department in consultation with their investors and community members.</td>
</tr>
<tr>
<td>Company C</td>
<td>Mainly the owners have the final discretion even though staff at the management level participates in the process.</td>
</tr>
<tr>
<td>Company D</td>
<td>Mainly the directors (owners) make the decisions independently. Requests from staff are considered in the process.</td>
</tr>
<tr>
<td>Company E</td>
<td>Mainly the owners (family members) make the decisions independently after consultation with the management.</td>
</tr>
<tr>
<td>Company F</td>
<td>Mainly the owners (family members) make the decisions independently. Supplier and employee suggestions are considered in the process.</td>
</tr>
<tr>
<td>Company G</td>
<td>The owner and the marketing department make the decisions together. Employees are also encouraged to bring issues for assistance.</td>
</tr>
<tr>
<td>Company H</td>
<td>Mainly the owners (family members) make the decisions independently.</td>
</tr>
<tr>
<td>Company I</td>
<td>Mainly the owners (family members) make the decisions independently.</td>
</tr>
<tr>
<td>Company J</td>
<td>Mainly the owners make the decisions independently. Requests from staff make the owners aware of the issues.</td>
</tr>
<tr>
<td>Company K</td>
<td>Mainly the owners (family members) make the decisions independently.</td>
</tr>
<tr>
<td>Company L</td>
<td>The owners consider the opinions of their peers and family members in making the decisions.</td>
</tr>
</tbody>
</table>

Source: Developed for this research

Decisions on BSR in nine out of 12 SMEs were independently taken by their owners, who were often members of the same family. Out of 12 participating SMEs, only three (Company H, I and K) did not consider any suggestions from their employees or other stakeholders.
Another 7 SMEs (Company A, C, D, E, G, J and L) evaluated opinions from their staff and/or peers in the decision making process. Company F accepted suggestions from suppliers in addition to their staff whereas company B had the least freedom to take BSR decisions independently. Other than Company B, owners of all other SMEs have the final say in planning their business’s social activities.

**Finding 4.1: BSR decisions in SMEs are mostly independently taken by their owners.**

Whilst Company B includes both primary and secondary stakeholders, owners of Company I took decisions on BSR by themselves. Comparing these two extreme cases, Company B and Company I, there was not much difference noted in their participation in BSR (Table 4.12, p. 167). Both these companies are equally philanthropic about helping the community through charities and sponsorships. Company I also offered staff benefits and discounted or free services/products. Company C, D, E and G, which considered their staff members’ requests, were also found to be involved in either charities or sponsorships (Company C and D) or both (Company E and G). Companies E and G offered no benefits for their staff. Therefore, it was concluded that participation of the primary stakeholders like employees and suppliers has a limited influence on the decisions of BSR in SMEs.

**Finding 4.2 Primary stakeholders do not affect BSR activities in SMEs.**

Finding 3.1 state that BSR participation in SMEs is predominantly with community groups. Finding 4.2 note that primary stakeholders have a limited influence on BSR activities in SMEs. Comparing Findings 3.1 and 4.2 in relation to the above discussions, it became clear that community stakeholders of SMEs are more important and/or influential in relation to BSR decisions.

**Finding 4.3 Community is at the forefront of BSR decisions in SMEs.**

4.5.2.4 (b) Responses to Interview Question 12:

**To what extent do your stakeholders influence such decisions?**

The responses related to the influence of stakeholders on BSR decisions are summarised in the following table:
Table 4.17

Influence of stakeholders on BSR decisions

<table>
<thead>
<tr>
<th>Company</th>
<th>Extent of influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>No influence at all. No stakeholders.</td>
</tr>
<tr>
<td>Company B</td>
<td>Investors and the community influence substantially.</td>
</tr>
<tr>
<td>Company C</td>
<td>Owners are the only influence.</td>
</tr>
<tr>
<td>Company D</td>
<td>No influence at all.</td>
</tr>
<tr>
<td>Company E</td>
<td>Community have some influence. No influence from others.</td>
</tr>
<tr>
<td>Company F</td>
<td>No influence at all. No stakeholders.</td>
</tr>
<tr>
<td>Company G</td>
<td>No influence at all. Owners proactively decide to participate.</td>
</tr>
<tr>
<td>Company H</td>
<td>No influence at all.</td>
</tr>
<tr>
<td>Company I</td>
<td>No influence at all.</td>
</tr>
<tr>
<td>Company J</td>
<td>No influence at all.</td>
</tr>
<tr>
<td>Company K</td>
<td>Stakeholders other than the employees have some influence.</td>
</tr>
<tr>
<td>Company L</td>
<td>Customers have substantial influence.</td>
</tr>
</tbody>
</table>

Source: Developed for this research

The majority of SMEs (seven out of 12) reported there was no influence from their stakeholders. Even though Company A said that they had no influence on their BSR decisions, from Section 4.4.1 (d) (p. 107), it was evident that this business responded to the demands of community members. So, in the later parts of the analysis, their view was re-categorised as ‘community had some influence on the decisions’. The reason for the initial misunderstanding in the classification of this company was that most SME owner-managers could not identify their stakeholders. For example, Company A considered stakeholders to be those individuals who own a share of the business. The same issue was also noticed in the case of Company F as they said … we do not have any stakeholders.

Finding 4.4 SME owners-managers have problems in identifying stakeholders.
Among the six SMEs (including the modified response of Company A) that experienced some kind of influence on BSR decisions, three (Company A, B and E) were influenced by the dormant and discreitional stakeholders (e.g. investors and community members). Company K’s decisions were influenced by stakeholders other than their staff. Thus community members have an impact on the company’s participation in BSR. So, a majority of SMEs that acknowledged an impact were influenced by lower salient stakeholders who had no direct influence on the performance of the business.

Finding 4.5 BSR decisions in SMEs are influenced more by stakeholders with lower salience.

4.5.2.4 (c) Summary of findings from RQ4

Research Question 4: Which stakeholders influence CSR participation in SMEs and to what extent?

In SMEs, decisions on BSR follow a simple informal procedure. The owners of these businesses independently made the decisions about their business’s participation in socially responsible activities even if they considered suggestions from other stakeholders. However, most SME owner-managers had difficulty in identifying their stakeholders and therefore did not formally recognise the influence their stakeholders had on the company’s BSR activities. An in-depth analysis revealed that influence of stakeholders with lower salience like community members had a greater impact on the BSR decisions than did primary stakeholders like employees, suppliers and customers. This also matches the Finding 3.1 of RQ3 where SMEs were found to participate in community-oriented BSR activities to a greater extent than activities that involved dominant stakeholders. Table 4.18 below summarises the findings for Research Question 4.
Table 4.18
Findings from RQ4

<table>
<thead>
<tr>
<th>Finding 4.1</th>
<th>BSR decisions in SMEs are mostly independently taken by their owners.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finding 4.2</td>
<td>Primary stakeholders do not affect BSR activities in SMEs.</td>
</tr>
<tr>
<td>Finding 4.3</td>
<td>Community is at the forefront of BSR decisions in SMEs.</td>
</tr>
<tr>
<td>Finding 4.4</td>
<td>SME owners-managers have problems in identifying stakeholders.</td>
</tr>
<tr>
<td>Finding 4.5</td>
<td>BSR decisions in SMEs are influenced more by stakeholders with lower salience.</td>
</tr>
</tbody>
</table>

Source: Developed for this research

4.5.2.5 RQ 5: Why do SMEs participate in CSR?

Interview Question 13 investigated the motivations of SMEs for participating in CSR activities and Interview Question 14 requested the interviewees to say whether they had any future plans in the area of CSR. Both these questions were aimed at exploring the motivations for CSR participation in the SME sector.

4.5.2.5 (a) Responses to Interview Question 13:

Why is your company doing/thinking of doing these things?

Table 4.19 below lists the range of factors that motivated SMEs to participate in BSR activities.
### Table 4.19
Motivations for BSR participation

<table>
<thead>
<tr>
<th>Company/ Motivations</th>
<th>Personal Satisfaction</th>
<th>To be seen as a community member</th>
<th>To build/maintain company goodwill/image</th>
<th>Motivating Staff</th>
<th>Meeting stakeholder expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company B</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Company C</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company D</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company E</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company F</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company G</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company H</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company I</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company J</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company K</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company L</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5</strong></td>
<td><strong>5</strong></td>
<td><strong>8</strong></td>
<td><strong>2</strong></td>
<td><strong>2</strong></td>
</tr>
</tbody>
</table>

*Source: Developed for this research*
Table 4.19 above shows that the motivation of SMEs when participating in BSR is mainly to build their business reputation. However, the number of SMEs that had a philanthropic aim of fulfilling their ‘personal satisfaction’ and ‘to be seen as a community member’ was greater (10 SMEs) than the number of SMEs who wanted to engage in such activities just for the sake of economic objectives like ‘motivating staff’ and ‘meeting stakeholder expectations’ (three SMEs). None of the participants undertook social activities exclusively for primary stakeholders. Thus the common underlying motivation in all participating SMEs was to build relationships and networks with community members which increases their personal satisfaction and improves the business’ image as a community member.

Finding 5.1: Motivation of SMEs for participating in BSR activities is primarily to build or improve the company’s image.

Finding 5.2: SMEs do not participate in BSR just for economic reasons.

4.5.2.5 (b) Responses to Interview Question 14:

Are there any future plans of your company about CSR (or the other term)? If so, what are they?

In response to the future plans of BSR among the participating SMEs, the following responses were noted:
Table 4.20
Future plans of BSR

<table>
<thead>
<tr>
<th>Company</th>
<th>Plans of BSR</th>
<th>Explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>Yes</td>
<td>Looking to do something internationally</td>
</tr>
<tr>
<td>Company B</td>
<td>None</td>
<td>Will continue the ongoing activities</td>
</tr>
<tr>
<td>Company C</td>
<td>None</td>
<td>Will continue the ongoing activities</td>
</tr>
<tr>
<td>Company D</td>
<td>Yes</td>
<td>Care facility for the handicapped</td>
</tr>
<tr>
<td>Company E</td>
<td>Yes</td>
<td>Team at Gold Coast marathon and a charity</td>
</tr>
<tr>
<td>Company F</td>
<td>None</td>
<td>Young employees prefer ad hoc things</td>
</tr>
<tr>
<td>Company G</td>
<td>Yes</td>
<td>More charities</td>
</tr>
<tr>
<td>Company H</td>
<td>Yes</td>
<td>Sponsoring a kid for playing golf</td>
</tr>
<tr>
<td>Company I</td>
<td>None</td>
<td>Will continue the ongoing activities</td>
</tr>
<tr>
<td>Company J</td>
<td>None</td>
<td>Nothing mentioned</td>
</tr>
<tr>
<td>Company K</td>
<td>None</td>
<td>Will continue the ongoing ones</td>
</tr>
<tr>
<td>Company L</td>
<td>None</td>
<td>Will plan according to customers’ and social values</td>
</tr>
</tbody>
</table>

Source: Developed for this research

From Table 4.20 above, it is evident that the majority of SMEs (seven out of 12) had no future plans for participation in BSR because they either wanted to continue their ongoing activities or adapt according to their stakeholders’ expectations, both primary and secondary.

Finding 5.3 SMEs are not strategic about BSR activities.

The SMEs that had some future plans (Company A, D, E, G and H) were bigger, in terms of employees or turnover, than those that did not.

Finding 5.4: Bigger SMEs tend to be proactive in BSR participation.
4.5.2.5 (c) Summary of findings from RQ5

Research Question 5: Why do SMEs participate in CSR?

The motivations of SMEs provided a clear picture of the BSR practice in such organisations. A primary objective of participating in socially responsible practices is to build/improve their business reputation. Whilst philanthropic motivations like personal satisfaction and being seen as a community member encouraged BSR participation in some SMEs, very few had strategic intentions like motivating staff and meeting stakeholder demands. It seems that business reputations, a favourable image of the company and community support are more important for SMEs than economic objectives that could increase profitability in the short term. This finding supports the previous Finding 1.2 from RQ1 which states that SMEs are not always profit driven. The proactive nature of bigger SMEs in relation to BSR, however, was not strategic because these SMEs did not want to leverage their social activities for business benefits. Rather, BSR was seen as an opportunity for social involvement and help people who have no direct interest in the business. Table 4.21 below summarises the findings for Research Question 5.

Table 4.21
Findings from RQ5

<table>
<thead>
<tr>
<th>Finding 5.1</th>
<th>Motivation of SMEs for participating in BSR activities is primarily to build or improve the company’s image.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finding 5.2</td>
<td>SMEs do not participate in BSR just for economic reasons.</td>
</tr>
<tr>
<td>Finding 5.3</td>
<td>SMEs are not strategic about BSR activities.</td>
</tr>
<tr>
<td>Finding 5.4</td>
<td>Bigger SMEs tend to be proactive in BSR participation.</td>
</tr>
</tbody>
</table>

*Source: Developed for this research*
4.5.2.6 RQ 6: What are the barriers to CSR? How can SMEs be encouraged to participate in such activities?

Interview Question 15 asked the SME owner-managers to identify the barriers that impeded or restricted their business from participating in social activities. Interview Question 16 requested them to list the factors which they thought could facilitate SMEs to do more about in the area of social responsibility. These two questions were framed to investigate the impediments and promoters of CSR in SMEs.

4.5.2.6(a) Responses to Interview Question 15:

What challenges do you face to undertake CSR (or the other term)?

Table 4.22
Barriers to BSR in SMEs

<table>
<thead>
<tr>
<th>Company/Barriers</th>
<th>Time</th>
<th>Money</th>
<th>Business skills (of charity organisations)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Company B</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Company C</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Company D</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company E</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Company F</td>
<td>✓</td>
<td></td>
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<tr>
<td>Company G</td>
<td></td>
<td>✓</td>
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<tr>
<td>Company H</td>
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<td>Company I</td>
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<tr>
<td>Company J</td>
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<td>Company K</td>
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</tr>
<tr>
<td>Company L</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
<td>7</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Developed for this research
Table 4.22 above lists the range of barriers of BSR as noted from the collected data. Time and money appeared to be the major challenging factors that restricted SMEs’ participation in social activities. Lack of business skills in charity organisations was a third factor identified by only one SME.

*Finding 6.1: Time and money are the major constraints of BSR for SMEs.*

4.5.2.6(b) Responses to Interview Question 16:
What do you think would encourage SMEs to think or act more on CSR (or the other term)?

Table 4.23 above lists all the responses collected from the SMEs when they were asked to identify the facilitators of BSR.

Table 4.23
Facilitators of BSR in SMEs

<table>
<thead>
<tr>
<th>Company/Facilitator</th>
<th>Information on BSR</th>
<th>Knowledge/Education</th>
<th>Government tax benefits</th>
<th>Legislation</th>
<th>Organisational Culture/leadership</th>
<th>Not Sure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company B</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company C</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company D</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company E</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company F</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company G</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
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<td></td>
</tr>
<tr>
<td>Company H</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company I</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company J</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company K</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company L</td>
<td>✓</td>
<td>✓</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td>3</td>
<td>5</td>
<td>8</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

*Source: Developed for this research*
The factors that SMEs believe would facilitate BSR participation are information about BSR, education to increase knowledge among SME owner-managers, government tax benefits and legislation. Among these facilitators, tax incentives appeared to be the most popular way of encouraging SMEs to involve in BSR. Comparing Tables 4.22 and 4.23, it was observed that SMEs which identified money as a constraint also considered financial help through government tax incentives would assist them in BSR participation.

Finding 6.2: Government tax incentive is the strongest facilitator of BSR in SMEs.

The interviewees also believe that knowledge and education about BSR would encourage SMEs to participate in socially responsible activities. Interestingly, none of the SMEs felt knowledge was a barrier to BSR (refer to Table 4.22, p. 183). While this proves there is a lack of knowledge in the SME sector, it was also evident that SMEs do not think this deficiency acts as a barrier preventing them from engaging in BSR.

Comparing this with Finding 5.3, where BSR activities in SMEs were found not to be strategically oriented (i.e. motivated by a desire to further the business interests of the company), it was confirmed that SME owner-managers are not aware of the strategic benefits of BSR. Therefore they did not consider knowledge as a barrier but as a facilitator of BSR.

Finding 6.3: SME owner-managers lack knowledge about social responsibility and how it can benefit them.

4.5.2.6(c) Summary of findings from RQ6

Research Question 6: What are the barriers to CSR in SMEs? How can SMEs be encouraged to participate in such activities?

The most challenging factor for SMEs participating in BSR activities was found to be ‘time’. The second factor that restricted such engagement is ‘money’. The third factor, identified by only one SME, is lack of ‘business skills’ in charity organisations. Most of the SMEs believed that government tax benefits would motivate them to participate in BSR activities. Whilst tax benefits could reduce the financial impediments identified as one of the challenges to some extent, education and information on BSR were additional factors discussed by the SMEs that are capable of facilitating responsible behaviour.
Some companies opined that information is not a challenge as it is available through numerous sources. Others clarified that even though plenty of information is available, not all of it is reliable. SMEs also accepted that more knowledge and education on the benefits of BSR would encourage more businesses to participate in social activities. Table 4.24 below summarises the findings for Research Question 6.

### Table 4.24
**Findings from RQ6**

<table>
<thead>
<tr>
<th>Finding 6.1</th>
<th>Time and money are the major constraints of BSR for SMEs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finding 6.2</td>
<td>Government tax incentive is the strongest facilitator of BSR in SMEs.</td>
</tr>
<tr>
<td>Finding 6.3</td>
<td>SME owner-managers lack knowledge about social responsibility and how it can benefit them.</td>
</tr>
</tbody>
</table>

*Source: Developed for this research*

#### 4.5.2.7 RQ 7: Do SME owner-managers voluntarily engage themselves with different associations, and if so, why?

Interview Question 17 asked SME owner-managers if they were members of any associations that were not a regulatory requirement and the reasons that motivated them to involve with such bodies. This question was included to examine if any SME engaged itself in optional activities, and if so, why they did so.

#### 4.5.2.7(a) Responses to Interview Question 17:

**Are you, or is your company, a member of any trade union/industry association?**  
**If so, what motivated you to be a member?**
Table 4.25
Motivations for (optional) association memberships

<table>
<thead>
<tr>
<th>Companies/ Motivations</th>
<th>Networking and information sharing</th>
<th>Raises the business’ negotiation power</th>
<th>Improves business profile</th>
<th>To support the community</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company B</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Company C</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company D</td>
<td>✓</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Company E</td>
<td>✓</td>
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<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Company F</td>
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<td>Company G</td>
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</tr>
<tr>
<td>Company H</td>
<td>✓</td>
<td></td>
<td>✓</td>
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<tr>
<td>Company I</td>
<td>✓</td>
<td></td>
<td>✓</td>
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<tr>
<td>Company J</td>
<td>✓</td>
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<td>✓</td>
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<tr>
<td>Company K</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Company L</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
<td>6</td>
<td>5</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Developed for this research

From Table 4.25 above, it was observed that all SMEs are engaged with different associations. As a justification for these optional involvements with different industry associations, most SME owner-managers mentioned that they use such engagements for networking and information sharing. The two other common reasons that motivated SME owner-managers in such engagements were to raise their negotiation power as a group that can influence stronger stakeholders like governments and improve their business’s profile within the community.

Finding 7.1: SME owner-managers are keen to compensate for their low power and resources through voluntary engagement with different associations.
From Finding 6.1 of RQ6, it was noted that SME owner-managers struggle with different facets of business management including BSR, particularly due to a limited availability of time. However, they still managed to take some time out of their busy schedule for engagements with different associations and to meet with people who were not the primary stakeholders of the business. Therefore, despite resource constraints, SMEs involve themselves in their communities through voluntary memberships of different associations.

Finding 7.2: Community engagement is either more or equally important for SMEs as are their limited resources.

Finding 7.3: All time-poor SME owner-managers take some time out to engage with different associations which are of limited direct benefit for the business.

4.5.2.7(b) Summary of findings from RQ7

Research Question 7: Do SME owner-managers voluntarily engage themselves with different associations, and if so, why?

SME owner-managers, despite being extremely busy, engage themselves voluntarily with associations that help them in accessing valuable information, increase their negotiating power and raise their business profile. It appeared from the responses that resource-poor SMEs need to cooperate with each other and establish relationships with members within and beyond their group of primary stakeholders in order to survive and match the power of external forces that influence them. Table 4.26 below summarises the findings of Research Question 7.

<table>
<thead>
<tr>
<th>Finding 7.1</th>
<th>SME owner-managers managed are keen to compensate for their low power and resources through voluntary engagements with different associations.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finding 7.2</td>
<td>Community engagement is either more or equally important for SMEs as are their limited resources.</td>
</tr>
<tr>
<td>Finding 7.3</td>
<td>All time-poor SME owner-managers take some time out to engage with different associations which are of limited direct benefit for the business.</td>
</tr>
</tbody>
</table>

Source: Developed for this research
4.6 Summary of findings from RQ1 to RQ7

Table 4.27
Summary of findings

<table>
<thead>
<tr>
<th>Research Questions</th>
<th>Findings</th>
</tr>
</thead>
</table>
| **RQ1:** What are the business values of SMEs and how are they oriented? | F1.1 ‘Relationship building’ with customers and employees and ‘being responsible’ to the community are the two major driving values of SMEs.  
F1.2 SMEs are not always profit driven.  
F1.3 Values driving SMEs vary according to the nature of the business.  
F1.4 SMEs incorporate business values through ethical operation and compliance with social norms. |
| **RQ2:** How is CSR perceived by SMEs? | F2.1 CSR is a multi-dimensional concept in the SME sector.  
F2.2 SMEs perceive CSR as activities that are ethical and/or philanthropic.  
F2.3 SMEs that have limited interactions with the community consider CSR mainly from the viewpoint of primary stakeholders.  
F2.4 SMEs cannot relate to the term CSR.  
F2.5 Business Social Responsibility (BSR) is a more relevant and meaningful term in comparison to CSR for most businesses, particularly SMEs.  
F2.6 SMEs are aware of their social responsibilities along with economic and legal responsibilities.  
F2.7 SMEs in general experience the impacts of BSR costs but most of them are able to accommodate these expenses in various ways. |

*Source: Developed for this research*
## Table 4.27
Summary of findings (continued)

<table>
<thead>
<tr>
<th>Research Questions</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RQ2: How is CSR perceived by SMEs?</strong></td>
<td>F2.8 Economic impacts of BSR expenses do not discourage SMEs from socially responsible initiatives as long as they are within their financial capabilities.</td>
</tr>
<tr>
<td></td>
<td>F2.9 BSR expenses in SMEs are borne by the business owners only and not by their stakeholders.</td>
</tr>
<tr>
<td></td>
<td>F2.10 SMEs rarely experience their economic objectives to be in conflict with their moral obligations.</td>
</tr>
<tr>
<td></td>
<td>F2.11 Attitude to BSR in SMEs is mostly moral and occasionally proactive in relation to funding of BSR expenses.</td>
</tr>
<tr>
<td><strong>RQ3: How do SMEs participate in CSR?</strong></td>
<td>F3.1 BSR participation in SMEs is predominantly with community groups.</td>
</tr>
<tr>
<td></td>
<td>F3.2 Amongst the operational stakeholders, BSR activities of SMEs are mostly confined to their employees.</td>
</tr>
<tr>
<td></td>
<td>F3.3 Participation in community oriented BSR activities depends on the nature and size of the business.</td>
</tr>
<tr>
<td></td>
<td>F3.4 SME owner-managers personally have a short-term economic perspective when participating in BSR activities.</td>
</tr>
<tr>
<td></td>
<td>F3.5 BSR budgets are largely ad hoc and are therefore not strategically oriented in SMEs.</td>
</tr>
<tr>
<td></td>
<td>F3.6 SMEs that are close to their community actively participate in community oriented BSR.</td>
</tr>
<tr>
<td></td>
<td>F3.7 The extent of participation in BSR activities depends on the SMEs’ business performance.</td>
</tr>
<tr>
<td></td>
<td>F3.8 Economic conditions are important for SMEs to survive and participate in BSR.</td>
</tr>
</tbody>
</table>

*Source: Developed for this research*
<table>
<thead>
<tr>
<th>Research Questions</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RQ4:</strong> Which stakeholders influence CSR participation in</td>
<td>F4.1 BSR decisions in SMEs are mostly independently taken by their owners.</td>
</tr>
<tr>
<td>SMEs and to what extent?</td>
<td>F4.2 Primary stakeholders do not affect BSR activities in SMEs.</td>
</tr>
<tr>
<td></td>
<td>F4.3 Community is at the forefront of BSR decisions in SMEs.</td>
</tr>
<tr>
<td></td>
<td>F4.4 SME owners-managers have problems in identifying stakeholders.</td>
</tr>
<tr>
<td></td>
<td>F4.5 BSR decisions in SMEs are influenced more by stakeholders with lower salience.</td>
</tr>
<tr>
<td><strong>RQ5:</strong> Why do SMEs participate in CSR?</td>
<td>F5.1 Motivation of SMEs for participating in BSR activities is primarily to build or improve the company’s image.</td>
</tr>
<tr>
<td></td>
<td>F5.2 SMEs do not participate in BSR just for economic reasons.</td>
</tr>
<tr>
<td></td>
<td>F5.3 SMEs are not strategic about BSR activities.</td>
</tr>
<tr>
<td></td>
<td>F5.4 Bigger SMEs tend to be proactive in BSR participation.</td>
</tr>
<tr>
<td><strong>RQ6:</strong> What are the barriers to CSR? How can SMEs</td>
<td>F6.1 Time and money are the major constraints of BSR for SMEs.</td>
</tr>
<tr>
<td>be encouraged to participate in such activities?</td>
<td>F6.2 Government tax incentive is the strongest facilitator of BSR in SMEs.</td>
</tr>
<tr>
<td></td>
<td>F6.3 SME owners lack knowledge about social responsibility and how it can benefit them.</td>
</tr>
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</table>

*Source: Developed for this research*
### Table 4.27
Summary of findings (continued)

<table>
<thead>
<tr>
<th>Research Questions</th>
<th>Findings</th>
</tr>
</thead>
</table>
| **RQ7:** Do SME owner-managers voluntarily engage themselves with different associations, and if so, why? | F7.1 SME owner-managers are keen to compensate for their low power and resources through voluntary engagements with different associations.  
F7.2 Community engagement is either more or equally important for SMEs as are their limited resources.  
F7.3 All time-poor SME owner-managers take some time out to engage with different associations which are of limited direct benefit for the business. |

*Source: Developed for this research*
RQ1 identified the values that drive SMEs. The two primary values identified are ‘relationship building’ and ‘being responsible’. Whilst the driving values vary according to the nature of the business, these organisations maintain high ethical standards without compromising their behaviour to generate higher profits.

RQ2 examined the knowledge and attitudes of SME owner-managers in relation to their business’s social responsibility. It was found that SMEs are well aware of their expected conduct and moral objectives are not disregarded for economic benefit. In general, the collected data revealed that SMEs have a positive perception of the social responsibilities businesses should honour.

RQ3 explored the participation of SMEs in social activities. It was noted that they are more strongly engaged with their community stakeholders than they are with other stakeholders. Although their approach to BSR is not strategic, they are active in the area of social responsibility. Even though owner-managers of SMEs were found to have an economic intention for such involvement, actual participation in BSR activities did not reflect this.

RQ4 examined the influences on BSR decisions in SMEs. Community issues were at the forefront of BSR activities and therefore influence is relatively stronger from the members of the society. Even when primary stakeholders participated in the decision-making process, they had limited impacts on the company’s social activities.

RQ5 investigated the motivations for SMEs to participate in BSR. The overriding objective of social activities noted from the responses was to gain access to valuable information, increased power and support from the community through strong networking and relationship building.

RQ6 identified time and money as the major constraints of social involvement. SMEs believe that a government tax incentive and education about BSR would facilitate socially responsible behaviour in SMEs.

RQ7 probed the motivations of time-poor SME owner-managers for involving themselves in various associations. Similar to the intentions for BSR participation, such engagements help SMEs to gain access to resources and to work collectively against external forces that influence the businesses.
Chapter 5 summarises and compares the above findings with the literature. This further enables the identification of new and additional knowledge gained from the results of this study. Finally the implications and future research directions will be discussed to improve the knowledge in the area of BSR in SMEs.
CHAPTER 5

CONCLUSIONS AND IMPLICATIONS

5.1 INTRODUCTION

SMEs, despite being significant contributors to local and national economies, have often been overshadowed by multinationals and other large organisations, both in practice and literature. In particular, social responsibility is an area of business management that has focussed mainly on large organisations. As a result, recent investigations of BSR in SMEs have used multiple theories, some of which successfully explained large organisation practices, but remain inconclusive on issues of SME social responsibility. This led to a dearth of knowledge that can assist SME owner-managers, policy makers, practitioners and academics to understand the reality of business social responsibility from the perspective of SMEs. With the aim of building a comprehensive understanding of the issue, the topic of this research was framed as: Corporate Social Responsibility in Small and Medium Enterprises: Application of Stakeholder Theory and Social Capital Theory.

This chapter presents the conclusions and implications of this research. It consists of seven sections. Section 5.1 serves as an introduction and outlines the structure of Chapter 5. Section 5.2 discusses and compares the findings for individual research questions with the literature. It also evaluates the findings from the perspectives of stakeholder theory and social capital theory, the two frequently applied theories used to explain social responsibility in businesses. Section 5.3 presents a conclusion regarding the research problem. The contributions of this research are reviewed in Section 5.4. Implications of the research findings and further research directions are discussed in Section 5.5, followed by research limitations in Section 5.6. Finally, Section 5.7 presents the conclusion to this chapter.

Figure 5.1 below represents the structure of this chapter.
Figure 5.1
Structure of chapter 5

5.1 Introduction

5.2 Discussions of research findings
  5.2.1 Discussions on RQ1
  5.2.2 Discussions on RQ2
  5.2.3 Discussions on RQ3
  5.2.4 Discussions on RQ4
  5.2.5 Discussions on RQ5
  5.2.6 Discussions on RQ6
  5.2.7 Discussions on RQ7

5.3 Conclusion on the research problem

5.4 Contributions of this research

5.5 Implications of research findings and further research directions
  5.5.1 BSR in SMEs
  5.5.2 Stakeholder theory
  5.5.3 Social capital theory
  5.5.4 Practitioners and policy-makers
  5.5.5 Further research directions

5.6 Research limitations

5.7 Conclusion to this chapter

Source: Developed for this research
5.2 DISCUSSIONS OF RESEARCH FINDINGS

Seven research questions emerged from the review of parent and immediate literature and a qualitative case study methodology was applied to explore the concept of BSR in SMEs holistically. Based on the research findings, this section discusses the conclusions to each research question with reference to the literature and the two theories – stakeholder theory and social capital theory.

5.2.1 DISCUSSIONS ON RQ1

Research Question 1: What are the business values of SMEs and how are they oriented?

The aim of this question was to investigate the objectives of SMEs and the underlying values that drive such businesses. Whilst this question was tangential to the research problem, it provided valuable insights into the epistemological and ontological views of SMEs that assisted in the interpretation of other responses.

The most crucial finding for this research question was that SMEs are not always profit driven. The economic interests of owners as definitive stakeholders (Mitchell et al. 1997) possessing all three attributes – power, legitimacy and urgency, was not found to be the immediate priority of the participants. This suggests that Friedman’s (1970) maxim of ‘the business of a business is business’ does not hold true for the SMEs in this study. The findings support the literature suggesting that the notion of profit-maximising and the rational economic entrepreneur as the standard image of SME owner-managers is incorrect (Goffee & Scase 1995, Spence & Rutherford 2003).

Data analysis showed that ‘relationship building’ (primarily with customers and employees) and ‘being responsible’ to the community are the two equally important values that drive SMEs. Along similar lines, these organisations were found to manifest such values through ethical operation and compliance with social norms. Ethical operation of the SMEs noted in this study conforms to Russo and Perrini’s (2009) conclusion as they stated that ethical issues and honest dealing with clients are the key drivers of SME development. However, the business value of ‘being responsible’ to the community and following social norms as a way of incorporating business values in SMEs was not identified in the literature search undertaken for this study.
Another finding for this research question was that the business values of SMEs varied according to the nature of their operations. Companies that were close to their community valued social norms more than they valued relationships with customers and other stakeholders. This orientation of values matches the issue of ‘visibility’ mentioned by Bowen (2000). Quayle (2002) and Hadjimonolis (1999) also stated that SMEs with limited market shares value relationship building and this research supports their findings.

However, the findings of this research did not support Mitchell et al.’s (1997) stakeholder salience model. Even though primary stakeholders are higher in salience than secondary stakeholders, relationship building with clients and employees (primary stakeholders) and responsible behaviour towards the community (secondary stakeholders) are equally valued by most of the SMEs. From a social capital perspective, the findings of this research are consistent with Spence et al.’s (2003) proposition. As Spence et al. explain, each SME has unique sources of risks for their business and therefore they prioritise values in ways that enable them to raise the required form of social capital which can reduce their vulnerability to external influences.

5.2.2 DISCUSSIONS ON RQ2

Research Question 2: How is CSR perceived by SMEs?

The finding about how CSR is understood by the SMEs is consistent with a lack of consensus previously discussed by Murillo and Lozano (2006). The multiple interpretations these SMEs had of their business’ social responsibility did not focus exclusively on economic and legal responsibilities. SMEs saw participation in such activities as a means of fulfilling the responsibilities they felt they had towards their communities. Whilst this supports Garriga and Mele’s (2004) conclusions, it partially disagrees with the ‘uncomfortableness’ noted by Murillo and Lozano (2006) in their study of Catalan medium-sized enterprises. The issue with the terminology ‘CSR’ seemed to persist among most of the participating SMEs and tends to cause such businesses to be disconnected from the concept. Respondents mostly expressed their concerns with the word ‘corporate’ and some identified ‘social’ as misleading. Spence (2007) was also sceptical about the use of the same words to represent a generic concept in organisations that are not corporate. Nevertheless, the acceptable term ‘business social responsibility’ (BSR) emerging from the data is still unique and different from the terms proposed by various authors contributing to SME–CSR literature.
Responses to this research question provided deeper insights into the attitudes of SMEs in relation to BSR. The expenses of such activities are not always seen as a cost-disadvantage as was proposed by some authors (Anglada 2000; Gerstenfeld & Roberts 2000). Even though BSR participation affected the businesses economically, they seem to balance entrepreneurship and ethical practice (Cassidy 2003; Taylor 2003) in ways that did not create a conflict between the economic and moral objectives of the business. Further, a stronger moral attitude to BSR in SMEs, which was not identified in the literature, supports the view that values of ‘responsible behaviour’ and ‘relationship building’ are the major driving values in SMEs (refer to Section 5.2.1, p. 198).

According to Friedman’s (1984) definition of stakeholder and Mitchell et al.’s (1997) model of stakeholder salience, attitudes to BSR should be determined by the salience of individual stakeholders. However, the responses displayed in Table 4.8 (p. 160) did not follow their proposed sequence. The majority of SMEs understand BSR as obligations to their community stakeholders by following social norms, being a community member, giving back to the community and/or helping community organisations. Ethical operation and looking after people who support the business includes stakeholders irrespective of their salience. All interpretations of BSR, including those that are related to the moral values of SMEs, closely align with the concept of social capital in business proposed by Putnam (1993) and Bourdieu (1985).

5.2.3 DISCUSSIONS ON RQ3

Research Question 3: How do SMEs participate in CSR?

In line with the understanding of CSR as activities not pursued for economic and legal advantages only, SMEs were found to actively engage with their community stakeholders. This refutes the long-held assumption that participation of SMEs in social activities is poor (e.g. Thomson et al. 1993) and confirms Chrisman and Fry (1982) who found that small businesses are in touch with social expectations and Mankelow (2003) who found that the CSR activities of SMEs focused more on discretionary stakeholders. In relation to primary stakeholders, social activities of SMEs were associated mostly with employees and not with their customers as was mentioned by Thomson et al. (1993).
The fact that variations in the participation in BSR activities is based on the nature and size of the business have been discussed in the literature. Spence (2004) noted that SMEs with members close to the business are more inclined to community issues and the findings of this research confirm this behaviour. This research also supports Quayle (2002) and Hadjimonolis (1999) who concluded that SMEs rely on a few customers within their locality and therefore community stakeholders are often more important than customers, employees and suppliers for SMEs’ survival. The lower involvement of smaller SMEs in philanthropic activities is compatible with the resource-poorness, a weakness of small businesses mentioned by Nooteboom (1994), but not with Curran et al.’s (2000) view of detachment from the locality as a characteristic of all SMEs.

From the planning and participation of socially responsible activities in SMEs, it was evident that BSR is an ad hoc process. This is consistent with the findings of recent studies conducted in Europe (Spence 2007). The emerging strategic orientation noted by Russo and Perrini (2009) in Italian SMEs is far from the present practice of Australian SMEs. However, the findings for this research question also contradict a previous empirical investigation conducted in Australia (Mankelow 2003). Through the application of stakeholder theory, Mankelow (2003) found small enterprises to be structured, consistent and strategic in their social participation. Even though a proactive approach was noted in SMEs whose BSR activities brings them close to their communities, the planning and budgeting process of BSR among the participants of this study is not structured, formalised or strategic.

Most of literature on SMEs and their activities focus on their intertwined ownership and management (Nooteboom 1994) and the close alignment of owner’s personal ethos with business behaviour (Fuller & Tian 2006; Spence 2007). However in this research the intention of the owner-managers and their BSR activities indicated a different scenario. It appeared that social interaction with stakeholders strongly influences responsible behaviour in SMEs, suggesting a presence of powerful governance arising out of social control. Whilst Larson (1992) and Leifer and White (1986) were the first researchers to point out the importance of social control in small business behaviour, recent studies rarely investigated this aspect as they focus on owners’ personal values as an overriding factor of social participation.

One of the findings (Finding 3.1) from RQ3 identified that community issues are at the forefront of BSR in SMEs. The majority of socially responsible activities undertaken by such
organisations involve discretionary stakeholders with lower salience. It also became evident that social activities of SMEs are mainly confined to their employees with very few initiatives that involved their customers. This behaviour demonstrates that even if stakeholders (customers and employees) are comparable in salience, BSR activities for these two groups vary. Therefore, stakeholders’ salience is not a factor that guides or explains SMEs’ extent of social participation. From a social capital perspective, this is justified since both community engagement and staff involvement increases a SMEs’ access to resources and competencies that develop higher levels of trust and cooperative behaviour within the members of the business network.

5.2.4 DISCUSSIONS ON RQ4

Research Question 4: Which stakeholders influence CSR participation in SMEs and to what extent?

Findings for this question identified the fact that SME owner-managers have consistently failed to identify their stakeholders. Employees, customers and suppliers are not considered as stakeholders who influence BSR decisions in SMEs. This clearly contradicts the findings of a CSR study of small Australian enterprises conducted by Mankelow (2003) and a study of medium enterprises of the Catalan region (Murillo & Lozano 2006). Mankelow found SME owner-managers could identify stakeholders and rank them according to their salience, as proposed by Mitchell et al. (1997). However, from Table 4.17 (p. 177), it is evident that the majority (7 out of 12) of SMEs experienced no influence from any of their stakeholders and 2 of them even commented that they had no stakeholders. Murillo and Lozano concluded that the relationship with internal stakeholders is the most important criterion that legitimates such practices. In contrast, this study found that community relationships lead social participation in SMEs. Thus, in this study it became apparent that the stakes or legitimacy of those involved in the business does not guide BSR decisions in SMEs, as suggested by the proponents of Stakeholder Theory. On the contrary, it is the internal motivation and/or the expectations of community members that influence SMEs to engage with their communities and stakeholders irrespective of their level of salience. This closely aligns with the fundamentals of Social Capital Theory and also complements the findings of RQ3 where it was noted that SMEs tend to involve themselves in community issues to a greater extent than they do to meet their stakeholders’ expectations, at least in the context of BSR. Similar behaviour was noted by Spence and Schmidpeter (2003) and Jenkins (2006) but they
explained it as an internal drive of the owner-managers and not an influence of the lower salient community stakeholders. Therefore, this research produced a new insight into the importance of the social influences and community issues that guide BSR activities in SMEs.

The decision-making process of business responsibility still conforms to the previous findings. In support of Wickham’s (2004) views, it was found that SME owner-managers exercise their discretion to manage the business. Even though some enterprises encourage their employees to participate in decisions about BSR, actual outcomes prioritised community concerns with limited economic benefits for the organisation, which once again supports the social capital perspective of BSR activities undertaken by SMEs in order to gain an image of a concerned, caring and responsible organisation (Adler & Kwon 2002). However, the personalised way of management previously noted by Wickham was not evident among the participants in this study as community expectations overrule SME owner-managers’ personal strategic intentions. An overlapping of the strategic goals of SMEs and the emerging importance of community and discretionary stakeholders in business management explains the divergence of the present situation from the literature that has been strongly influenced by the less contested paradigm of stakeholder theory.

The importance of community stakeholders in comparison to dominant and definitive stakeholders in determining the socially responsible behaviour of SMEs defies the basic fundamentals of stakeholder theory and the stakeholder salience model (Mitchell et al. 1997). The interests of higher salient stakeholders ranked lower than the interests and expectations of dormant and discretionary stakeholders. As with the attitude of SMEs to BSR activities, communities appeared to be more important and more influential on the decisions of social activities. The community-orientated participation in socially responsible activities of SMEs is more closely aligned to the tenets of social capital theory than stakeholder theory.

5.2.5 DISCUSSIONS ON RQ5

Research Question 5: Why do SMEs participate in CSR?

The findings of this research question indicate that SMEs participate in BSR with motivations ranging from the philanthropic to the strategic. Although the most common among them is building business reputation, there is an inclination towards philanthropic motives like personal satisfaction and portraying an image as a good community member. Weaker reasons noted from the data include staff motivation and fulfilment of stakeholder expectations.
Therefore, economic objectives and stakeholder expectations are not the major motivations for BSR activities in SMEs. Similar conclusions were drawn by Jenkins (2006) from an analysis of socially responsible SMEs in UK. She found that social activities in those organisations were mainly internal and were driven by moral values. However, in contrast to Jenkins (2006) and the findings of this study, Mankelow (2003) concluded that in Australian small businesses, enterprise needs are prioritised over community stakeholders and socially responsible activities are therefore driven by economic motives.

An investigation into the future plans demonstrated that SMEs plan and participate in BSR on an ad hoc basis. This confirms that the emerging strategic orientation of SMEs noted by Russo and Perrini (2009) is not a standard practice in Australia. It was only the bigger SMEs that were motivated to engage in social activities proactively but they did not do so with the objectives of meeting stakeholder demands or responding to staff motivation. Their plans mostly involved more charity work, support for the community and activities that were either philanthropic or beneficial for the business through increased goodwill. Since there is no legislation for participation in social activities in Australia, it was also understood that SMEs do not participate in BSR to satisfy regulatory requirements as claimed by Williamson et al. (2006).

From the motivations and future plans for BSR, it was evident that SMEs follow the principles of social capital theory - an insight previously suggested by Russo and Perrini (2009) and Vyakarnam et al. (1997). Since the primary motivation of SMEs is to build the reputation and goodwill of the business, they try to exploit their strong relationships with all stakeholders built out of trust, reputation and legitimacy. Therefore, stakeholders’ salience is not an issue that affects the motivation for social activities in SMEs. Spence et al. (2003) also discussed the favourable outcomes of social capital like goodwill and images of good citizenship that SMEs gain through community engagement, networking, volunteerism and supporting charities.

Interestingly, the analysis of this research question also indicates that SMEs participate in BSR to access different forms of social capital. As noted above, organisations normally undertake a range of social activities that produce a mix of the social capital categories identified in section 2.2.3.4 (p. 41). Research Finding 4.5 suggested that lower salient stakeholders (e.g. community members) have a greater influence on BSR decisions in SMEs. However, some organisations (e.g. Company A, B and D) identified staff motivation and
stakeholder demands as the underlying reasons to participate in BSR (refer to Table 4.19, p. 180) and nearly half of the respondents (5 out of 12) were found to be involved in social activities that involve/benefit their staff (refer to Table 4.12, p. 168). This implies that even though improving business’ goodwill, an outcome of structural social capital (Adler & Kwon 2002), appears to be the predominant motivation of BSR activities in SMEs, the need for other forms of social capital gained by motivating employees and/or fulfilling the demands of their closer stakeholders cannot be discounted. In other words, SMEs seek to access all forms of social capital, although there can be some variation in the level of urgency they assign to each of them. As examining the salience of each form of social capital was beyond the scope of this study, a further investigation of this aspect should help in advancing the knowledge on BSR in SMEs.

5.2.6 DISCUSSIONS ON RQ6

Research Question 6: What are the barriers to CSR? How can SMEs be encouraged to participate in such activities?

The barriers and facilitators of BSR in SMEs emerging from the data conform to previous findings in different periods and geographic locations. Time is the major impediment to SME involvement in social activities. It was also evident during the data collection process (refer to Section 4.2, p. 100) when some participants had to cancel their appointments with the researcher due to other commitments. Responses in this research reflect Lepoutre and Heene’s (2006) finding as such activities further reduce the discretionary slack of SMEs. Another issue in relation to the time-poor state of SME owner-managers previously discussed by Spence and Schmidpeter (2003) was also evident in Australian SMEs. SME owner-managers, who are characteristically busy as they take on more responsibilities than owners and managers of large organisations, were still found to manage to put some time into community issues and other voluntary engagements. Whilst Spence and Schmidpeter were sceptical about time as a challenge and suspected that the personalities of owner-mangers were the underlying factor, the findings of this study clarifies their doubt (refer to Section 5.2.7, p. 206) and reconfirms time as a major barrier to BSR in SMEs.

Although the cost of social activities did not discourage SMEs from participating in BSR as suggested by Anglada (2000) and Tilley (1999), it was still identified as a barrier. Reflecting on the findings for Research Question 2 (p. 166) and the responses to money as a barrier, it
appears that SMEs could have participated in BSR activities if they had a larger resource slack. Interestingly, none of the SMEs discussed pressures from employees, customers or suppliers as a barrier to social activities and therefore this research supports the emerging view of community being at the forefront of BSR orientation among SMEs.

Among the facilitators, the main factors that were identified include government tax benefits and knowledge about BSR. Participants believed tax reliefs would encourage SMEs to do more about their community. Whilst the literature discusses political support (Spence & Schmidpeter 2003) and increased commitment from public authorities (Tilley 2000) as ways to promote social involvement in SMEs, no other studies mentioned taxation policies as a potential facilitator of BSR.

Lack of knowledge has been discussed earlier by Jenkins (2006). She advocated increased support and promotion of the business benefits of social participation. The findings of this study support her proposition and suggest that Australian SME owner-managers can be motivated if they have knowledge about BSR and realise the strategic advantages such engagements can bring for their businesses. Therefore, it was found that even though SME owner-managers are not profit maximisers, as noted in the findings for Research Question 1 and discussed by some authors (Goffee & Scase 1995; Spence & Rutherford 2001), BSR activities can be promoted if these organisations are made aware of the benefits.

5.2.7 DISCUSSIONS ON RQ7

Research Question 7: Do SME owner-managers voluntarily engage themselves with different associations, and if so, why?

The findings for this research question produced new insights into the management of SMEs in Australia. All SME owner-managers were found to be involved with some associations that were not a legal requirement for their business. Whilst time is the major barrier that restricted the BSR participation, very few studies investigated the motivation of SMEs to engage in associations voluntarily. Analysis of the responses to this question detected that owner-managers of SMEs compensate their lower power and resources through voluntary involvements with different associations even though such commitments took some time from their already low resource slacks.
The motivations identified include networking and information sharing, increased negotiation power, improved business profile and support for the community. The objectives of compensating for limited social power of individual SMEs through such involvements were discussed by Fallon and Brown (cited in Spence & Schmidpeter 2003) and Lepoutre and Heene (2006). Partly in support of the findings from this study, others (Doh & Guay; Hillman & Kiem cited in Lepoutre & Heene 2006) explained the decision by SME owner-managers to join such organisations as being motivated by the desire to gain an institutionalised place in the policy decision-making process by using the political power of the associations. Access to information through informal networks was also noted by Fallon and Brown who highlighted the importance of these networks for running a business and a scope for word-of-mouth marketing.

Even though voluntary engagement with associations is not directly related to BSR practices in SMEs, it does explain crucial aspects of SME behaviour related to all areas of business management. One of the valuable inferences gained from the findings is that resources in such organisations are not as valuable as the outcomes of civic engagements. In other words, a direct economic benefit through engagement with higher salient stakeholders is not a priority for SMEs.

The motivations for such involvement are strong evidence in support of the social capital approach to BSR in SMEs. Murillo and Lozano (2006) mentioned that SMEs are particularly dependent on their networks of interpersonal relationships. Spence and Schmidpeter (2003) also stated that structural relationships help SMEs to survive competition by compensating for their relative weaknesses. Even though survival of competition was not mentioned by the respondents, these engagements gave them access to external assets and information. Putnam (2000) discussed similar outcomes of bridging and linking social capital that are useful for businesses. The findings for this research question validate most of these propositions and also confirm the close alignment of social capital approach to BSR undertaken by SMEs.
5.3 CONCLUSION ON THE RESEARCH PROBLEM

This study addressed the research problem related to social responsibility in SMEs. From an interpretivist epistemology and using a qualitative case study methodology, interviews were undertaken with 12 small and medium enterprises in the Gold Coast region of Australia. Seven research questions emerged from the literature review (Table 2.8, p. 69) and these were used to investigate the research problem. Data collection took place using the interview instrument (Table 3.4, p. 86) developed for this study. All information was collected through face-to-face semi-structured open-ended interviews with the owner-managers of 12 selected SMEs.

Small and medium enterprises (SMEs), defined as businesses employing less than 200 people, are not miniature versions of multinationals or other large companies. Together with many quantitative differences established in theory, the qualitative aspects of these organisations have shaped their behaviour and psychology in a manner that is different from the traditional view of a business. With limited resources and control over their environment, survival is the primary goal of SMEs as opposed to profit maximisation. As a result, these enterprises aim to minimise the risks through relationship building and responsible behaviour with all stakeholders, particularly community members. Their ethics level is high and honesty helps them to build relations based on trust and mutual cooperation. Therefore, external stakeholders have become as important as the internal stakeholders for SMEs’ survival. This emerging condition means that a re-evaluation of traditional theories and models of business management in SMEs is required.

SMEs seem to be more informed about BSR nowadays. Even though the understanding of the concept varied between organisations, it appeared that most of them understood social responsibility as involving voluntary activities beyond economic and legal compliance. Since community support has become an integral aspect of business survival, BSR costs are no longer seen as a competitive disadvantage for SMEs. Acknowledging the financial impacts of socially responsible activities, these firms, mostly altruistically, balance their economic objectives with ethical operations. Therefore, SMEs have a positive attitude towards BSR activities as a moral obligation of the business. However, businesses that were less exposed to the community mostly restricted social activities to their internal stakeholders. This was not because of the higher salience of the internal stakeholders, rather the lower proximity to community stakeholders that allows them to concentrate more on their employees, customers
and suppliers. The term CSR continues to be an issue for SMEs to connect themselves with the concept. Therefore ‘Business Social Responsibility’, emerging from this study, is expected to be more meaningful for all businesses.

SMEs’ participation in BSR is primarily focused on community stakeholders, classified as discretionary or secondary stakeholders, who possess low stakeholder salience. The limited participation with operational stakeholders is predominantly confined to employees. Other than operating in an ethical manner, no other BSR activities of SMEs involve their suppliers and customers. Participation in social activities is largely ad hoc without any strategic planning. As the economic impacts of such engagements are substantial for resource-poor SMEs, they are dependent on the business’s performance for funding BSR.

The concept of the stakeholder is not a familiar one among SMEs. These organisations fail to identify their stakeholders unless they have financial contributions to the business. Similarly, any influence from stakeholders without an ownership in the business is not acknowledged by the owner-managers of SMEs. On the surface, it appears that decisions on BSR are taken independently by the definitive stakeholders (owners), and that operational stakeholders have no influence even if they participate in the process. In actual fact however, stakeholders like community members, who have a lower salience, are at the forefront of such decisions. It seems that the influences from the society affect the decisions on BSR, but SME owner-managers are yet to recognise and identify them formally and therefore they personally have a strategic intention to participate in such activities. It also confirms the lack of knowledge about BSR among SME owner-managers and questions the validity of intertwined ownership and management in SMEs.

Through participation in BSR, SMEs aim to create a favourable image of the business. Even though they are not strategic about such activities, proactive civic engagement helps them to create a social network and relationships with different community members. Some SMEs participate in BSR for philanthropic reasons, whereas a few have narrower focuses like staff motivation and the fulfilment of stakeholder expectations. Most SME owner-managers voluntarily involve themselves in different associations to compensate for their low negotiation power and limited resources. Also, the access to information provided by such networks produces benefits which more than compensate for the amount of time invested in contributing to these institutions. The information they obtain helps SMEs to survive the effects of internal and external influences and helps them to meet their goals. Overall, SMEs
view BSR and social engagement as an essential source of social capital rather than prioritising social activities according to stakeholders’ salience.

SMEs in the sample used in this research maintain high ethical standards that enable them to develop relationships based on trust and transparency. Therefore, their participation in BSR activities is limited not by a lack of willingness to be involved, but by intrinsic characteristics like resource poorness. Time and money are the major constraints for SMEs. Therefore, larger SMEs have some flexibility whereas smaller firms struggle to absorb the economic impacts of BSR and are compelled to limit their activities to ones which are within their financial capabilities.

Government tax benefits and knowledge about the economic benefits which can accrue from social participation could help SMEs to become involved with their communities to a greater extent. Since SMEs are mostly altruistic about social activities, information on the business benefits of BSR could encourage them to think about BSR strategically. Australia has no regulatory mechanism in relation to business’ social responsibilities, and any legal arrangement might not be welcomed by SMEs as such a mechanism would fail to create a genuine awareness of the social needs and would increase the burden in the form of formalised procedures that require further investments in the form of time and money.

To conclude, it became evident that SME-BSR relationships are ideally explained from a social capital perspective. The approach to social activities in these organisations cannot be explained through stakeholder theory, as SMEs do not participate in social activities according to the salience of their stakeholders. On the contrary, BSR activities help them to generate goodwill, support from the community and power to influence their stakeholders, all of which are the outcomes of social capital.
5.4 CONTRIBUTIONS OF THIS RESEARCH

The discussions on each research question and the conclusion to the research problem were presented in Sections 5.2 and 5.3 respectively. This section identifies the contributions of the study in detail.

In Table 5.1 below, the research questions are presented in column 1, the findings are summarised in column 2, comparisons with the literature are displayed in column 3 and finally the impact on the literature is mentioned in column 4. The third column precisely evaluates whether the findings existed in the literature outlined in Chapter 2.

Presence of findings in literature is classified under three categories. ‘Yes’ implies the finding was regularly found within literature, ‘limited’ implies occasional reference or part of larger findings. ‘None’ implies no reference was made in the literature examined for this study. Column 4 analyses the findings in terms of their impact on prior literature under four categories: ‘new’, ‘added’, ‘supported’ and ‘not supported’. Even though each of these findings was strictly classified and judged on the basis of the literature discussed in Chapter 2, other studies may have alternative research outcomes and views on similar research questions.
## Table 5.1

### Contributions to theory

<p>| Research questions | Summary of findings | Presence in prior literature | Impact of finding on literature |
|--------------------|---------------------|------------------------------|********************************|
| <strong>RQ1.</strong> What are the business values of SMEs and how are they oriented? | F1.1 ‘Relationship building’ with customers and employees and ‘being responsible’ to the community are the two major driving values of SMEs. F1.2 SMEs are not always profit driven. F1.3 Values driving SMEs vary according to the nature of the business. F1.4 SMEs incorporate business values through ethical operation and compliance with social norms. | Limited | Added |
| | | Yes | Supported |
| | | Limited | Added |
| | | Limited | Added |
| <strong>RQ2.</strong> How is CSR perceived by SMEs? | F2.1 CSR is a multi-dimensional concept in the SME sector. F2.2 SMEs perceive CSR as activities that are ethical and/or philanthropic. F2.3 SMEs that require limited interaction with the community consider CSR mainly from the viewpoint of primary stakeholders. F2.4 SMEs cannot relate to the term CSR. | Yes | Added |
| | | None | New |
| | | Limited | Added |
| | | Yes | Supported |</p>
<table>
<thead>
<tr>
<th>Research questions</th>
<th>Summary of findings</th>
<th>Presence in prior literature</th>
<th>Impact of finding on literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>RQ2. How is CSR perceived by SMEs?</td>
<td>F2.5 Business Social Responsibility (BSR) is a more relevant and meaningful term in comparison to CSR for most businesses, particularly SMEs.</td>
<td>None</td>
<td>New</td>
</tr>
<tr>
<td></td>
<td>F2.6 SMEs are aware of their social responsibilities along with economic and legal responsibilities.</td>
<td>Limited</td>
<td>Added</td>
</tr>
<tr>
<td></td>
<td>F2.7 SMEs in general experience the impacts of BSR costs but most of them are able to accommodate these expenses in various ways.</td>
<td>None</td>
<td>New</td>
</tr>
<tr>
<td></td>
<td>F2.8 Economic impacts of BSR expenses do not discourage SMEs from socially responsible initiatives as long as they are within their financial capabilities.</td>
<td>Limited</td>
<td>Added</td>
</tr>
<tr>
<td></td>
<td>F2.9 BSR expenses in SMEs are borne by the business owners only and not by their stakeholders.</td>
<td>Limited</td>
<td>Added</td>
</tr>
<tr>
<td></td>
<td>F2.10 SMEs rarely experience their economic objectives to be in conflict with their moral obligations.</td>
<td>None</td>
<td>New</td>
</tr>
<tr>
<td></td>
<td>F2.11 Attitude to BSR in SMEs is mostly moral and occasionally proactive in relation to funding of BSR expenses.</td>
<td>Limited</td>
<td>Not supported</td>
</tr>
</tbody>
</table>
Table 5.1
Contributions to theory (continued)

<table>
<thead>
<tr>
<th>Research questions</th>
<th>Summary of findings</th>
<th>Presence in prior literature</th>
<th>Impact of finding on literature</th>
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<tbody>
<tr>
<td><strong>RQ3.</strong> How do SMEs participate in CSR?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F3.1 BSR participation in SMEs is predominantly with community groups.</td>
<td>Yes</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>F3.2 Amongst the operational stakeholders, BSR activities of SMEs is mostly confined to their employees.</td>
<td>None</td>
<td>New</td>
<td></td>
</tr>
<tr>
<td>F3.3. Participation in community oriented BSR activities depends on the nature and size of the business.</td>
<td>Yes</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>F3.4 SME owner-managers personally have a short-term economic perspective when participating in BSR activities.</td>
<td>None</td>
<td>New</td>
<td></td>
</tr>
<tr>
<td>F3.5 BSR budgets are largely ad hoc and are therefore not strategically oriented in SMEs.</td>
<td>Yes</td>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td>F3.6 SMEs that are close to their community actively participate in community oriented BSR.</td>
<td>Limited</td>
<td>Added</td>
<td></td>
</tr>
<tr>
<td>F3.7 The extent of participation in BSR activities depends on the SMEs’ business performance.</td>
<td>None</td>
<td>New</td>
<td></td>
</tr>
<tr>
<td>F3.8 Economic conditions are important for SMEs to survive and participate in BSR.</td>
<td>None</td>
<td>New</td>
<td></td>
</tr>
<tr>
<td>Research questions</td>
<td>Summary of findings</td>
<td>Presence in prior literature</td>
<td>Impact of finding on literature</td>
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<tr>
<td><strong>RQ4.</strong> Which stakeholders influence CSR participation in SMEs and to what extent?</td>
<td>F4.1 BSR decisions in SMEs are independently taken by their owners.</td>
<td>Yes</td>
<td>Not supported</td>
</tr>
<tr>
<td></td>
<td>F4.2 Operational stakeholders do not affect BSR activities in SMEs.</td>
<td>Yes</td>
<td>Not supported</td>
</tr>
<tr>
<td></td>
<td>F4.3 Community is at the forefront of BSR decisions in SMES.</td>
<td>Limited</td>
<td>Added</td>
</tr>
<tr>
<td></td>
<td>F4.4 SME owners-managers have problems in identifying stakeholders.</td>
<td>Limited</td>
<td>Not supported</td>
</tr>
<tr>
<td></td>
<td>F4.5 BSR decisions in SMEs are influenced more by stakeholders with lower salience.</td>
<td>None</td>
<td>New</td>
</tr>
<tr>
<td><strong>RQ5.</strong> Why do SMEs participate in CSR?</td>
<td>F5.1 Motivation of SMEs for participating in BSR activities is primarily to build and improve the company’s image.</td>
<td>Limited</td>
<td>Added</td>
</tr>
<tr>
<td></td>
<td>F5.2 SMEs do not participate in BSR just for economic reasons.</td>
<td>Limited</td>
<td>Added</td>
</tr>
<tr>
<td></td>
<td>F5.3 SMEs are not strategic about BSR activities.</td>
<td>Limited</td>
<td>Added</td>
</tr>
<tr>
<td></td>
<td>F5.4 Bigger SMEs tend to be proactive in BSR participation</td>
<td>None</td>
<td>New</td>
</tr>
</tbody>
</table>
**Table 5.1**

**Contributions to theory** (continued)

<table>
<thead>
<tr>
<th>Research questions</th>
<th>Summary of findings</th>
<th>Presence in prior literature</th>
<th>Impact of finding on literature</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RQ6.</strong> What are the barriers to CSR? How can SMEs be encouraged to participate in CSR?</td>
<td>F6.1 Time and money are the major constraints of BSR for SMEs.</td>
<td>Yes</td>
<td>Supported</td>
</tr>
<tr>
<td></td>
<td>F6.2 Government tax incentive is the strongest facilitator of BSR in SMEs.</td>
<td>None</td>
<td>New</td>
</tr>
<tr>
<td></td>
<td>F6.3 SME owners lack knowledge about social responsibility and how it can benefit them.</td>
<td>Yes</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>RQ7.</strong> Do SME owner-managers voluntarily engage themselves with different associations, and if so, why?</td>
<td>F7.1 SME owner-managers are keen to compensate for their low power and resources through voluntary engagements with different associations.</td>
<td>Limited</td>
<td>Added</td>
</tr>
<tr>
<td></td>
<td>F7.2 Community engagement is either more or equally important for SMEs as are their limited resources.</td>
<td>None</td>
<td>New</td>
</tr>
<tr>
<td></td>
<td>F7.3 All time-poor SME owner-managers take some time out to engage with different associations which are of limited direct benefit for the business.</td>
<td>None</td>
<td>New</td>
</tr>
</tbody>
</table>

*Source: Developed for this research*
Table 5.2 below illustrates the exploratory nature of this research. Out of 38 findings from the analysis, 13 had no presence in the literature, 15 had limited presence and 10 already existed in literature. As a result, the impact on the literature is 13 new findings, 14 added, seven supported and four not supported. The predominance of ‘new’ and ‘added’ findings highlights the limited and fragmented nature of studies undertaken in the area of business social responsibility in small and medium enterprises.

Table 5.2
Summary of contributions

<table>
<thead>
<tr>
<th>Research Question</th>
<th>Presence in literature</th>
<th>Impact of finding on literature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>Limited</td>
</tr>
<tr>
<td>RQ1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>RQ2</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>RQ3</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>RQ4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>RQ5</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>RQ6</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>RQ7</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td><strong>10</strong></td>
<td><strong>15</strong></td>
</tr>
</tbody>
</table>

Source: Developed for this research

The Table 5.3 below demonstrates how each of the 13 ‘new’ findings emerging from this study is unique in terms of what has been discussed in chapter 2 and their respective insights on the research problem. The implications of these new findings are discussed in section 5.5 of this chapter.
### Table 5.3
**New findings and insights**

<table>
<thead>
<tr>
<th></th>
<th>New Findings</th>
<th>New Insights</th>
</tr>
</thead>
<tbody>
<tr>
<td>F2.2</td>
<td>SMEs perceive CSR as activities that are ethical and/or philanthropic.</td>
<td>CSR is neither a competitive disadvantage, nor an initiative to hide the mistakes made by the management.</td>
</tr>
<tr>
<td>F2.5</td>
<td>Business Social Responsibility (BSR) is a more relevant and meaningful term in comparison to CSR for most businesses, particularly SMEs.</td>
<td>BSR appeared to be a more acceptable terminology in the Australian SME sector in comparison to the terms (small-firm social responsibility, responsible business behaviour, responsible competitiveness and responsible business practice) proposed by previous researchers.</td>
</tr>
<tr>
<td>F2.7</td>
<td>SMEs in general experience the impacts of BSR costs but most of them are able to accommodate these expenses in various ways.</td>
<td>Although costs are a barrier, BSR activities are still undertaken by SMEs as they acknowledge their social and environmental impacts on the community and the need to address them.</td>
</tr>
<tr>
<td>F2.10</td>
<td>SMEs rarely experience their economic objectives to be in conflict with their moral obligations.</td>
<td>Australian SMEs, in general, do balance entrepreneurship and ethical practices and therefore lower resource slack in such organisations do not affect their moral obligations.</td>
</tr>
<tr>
<td>F3.2</td>
<td>Amongst the operational stakeholders, BSR activities of SMEs are mostly confined to their employees.</td>
<td>Whilst stakeholder theory suggests that businesses should give equal importance to similar salient stakeholders, this proposition does not hold true for BSR activities in SMEs. Some stakeholders are often more involved in social activities than others within the same group.</td>
</tr>
<tr>
<td>F3.4</td>
<td>SME owner-managers personally have a short-term economic perspective when participating in BSR activities.</td>
<td>Although personal ethos and business behaviour in the SME sector is hardly separable, owner-managers’ independent attitude differs from the way these firms participate in BSR. It also suggests that SMEs may not always be operated in a personalised way.</td>
</tr>
<tr>
<td>F3.7</td>
<td>The extent of participation in BSR activities depends on the SMEs’ business performance.</td>
<td>Even if SMEs are owned and managed by like minded people, operate in similar political contexts and within the same sectors, their engagement in social activities may vary depending on their performances.</td>
</tr>
<tr>
<td>New Findings</td>
<td>New Insights</td>
<td></td>
</tr>
<tr>
<td>--------------</td>
<td>--------------</td>
<td></td>
</tr>
<tr>
<td><strong>F3.8</strong> Economic conditions are important for SMEs to survive and participate in BSR.</td>
<td>Similar to Findings 2.7 and 3.7, BSR in SMEs are strongly subjected to the economic conditions. It confirms that survival, not profitability, is the primary goal and BSR activities in such organisations are undertaken as long as the costs are not affecting their survival.</td>
<td></td>
</tr>
<tr>
<td><strong>F4.5</strong> BSR decisions in SMEs are influenced more by stakeholders with lower salience.</td>
<td>Community members who have less influence or are less affected by the business have a greater influence on social activities in SMEs. This is contradictory to the tenets of stakeholder theory.</td>
<td></td>
</tr>
<tr>
<td><strong>F5.4</strong> Bigger SMEs tend to be proactive in BSR participation.</td>
<td>As opposed to the view of businesses responding to stakeholder demands or regulatory requirements, which are reactive in nature, bigger SMEs in Australia engage in social activities proactively. This is particularly important when compared to Finding 3.5 which noted a lack of strategic orientation in BSR activities undertaken by SMEs.</td>
<td></td>
</tr>
<tr>
<td><strong>F6.2</strong> Government tax incentive is the strongest facilitator of BSR in SMEs.</td>
<td>In addition to greater political participation, freedom and social infrastructure for owner-managers and awareness raising programs, taxation policies can influence SME participation in BSR.</td>
<td></td>
</tr>
<tr>
<td><strong>F7.2</strong> Community engagement is either more or equally important for SMEs as are their limited resources.</td>
<td>Resource weaknesses in SMEs have been identified as one of the major constraints for social activities. However, they are still invested for the purpose of community engagement and this indicates networking beyond primary stakeholders is crucial for SME survival.</td>
<td></td>
</tr>
<tr>
<td><strong>F7.3</strong> All time-poor SME owner-managers take some time out to engage with different associations which are of limited direct benefit for the business.</td>
<td>Social capital, rather access to information and resources gained through involvement with different business groups from varying social strata often produce greater benefits than the value of time invested to address the demands and expectations of primary stakeholders.</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Developed for this research*
RQ1 investigated the values of SMEs and produced no new knowledge. The findings mostly added to the limited literature that was available. However, the confirmation that SMEs are not motivated by the desire to maximise profits is an important finding that explains the nature of these businesses and thereby the key role that community stakeholders play in SME operation and management.

RQ2 explored the knowledge and attitudes of SME owner-managers in relation to social responsibility and produced four new insights, added to five existing areas of literature and disagreed with existing theory in one respect. This proves that even though there was some understanding of the issue, knowledge on BSR has developed, and the attitudes of SMEs have changed in recent years. This supports that BSR is no longer perceived as a luxury and SMEs think and act on social responsibilities positively.

RQ3 investigated the present BSR activities of SMEs. This is the area where this study made four new contributions. Reflecting on the changes in the knowledge and attitudes of SMEs from RQ2, it appears that these organisations have also changed their ways of participation in BSR. To be precise, SMEs are gradually acknowledging the importance of their community for the business’s survival and are reorientating their BSR activities, resulting in new findings for this study.

RQ4 probed to what extent stakeholders and society are important for social activities in SMEs. This produced a new knowledge whilst other findings mostly contradicted those in the literature. In particular, the significance of community stakeholders in the past has been misunderstood and downplayed. Previous studies have explained social activities from the perspective of stakeholder theory. In those studies, the salience of secondary stakeholders in SMEs was either overlooked, or the situation has changed since they were conducted.

RQ5 inquired into the motivations for CSR participation in SMEs. Literature related to this question is limited and all findings form this study added to the existing knowledge except one new contribution which identified the proactive nature of larger SMEs. This implies that the outcomes of this study improved the understanding of motivational issues in these organisations which was somehow inconclusive in the past.
RQ6 examined the factors that act as barriers to SME social participation and also the ways such businesses can be encouraged. Two findings for this question supported the literature and one is new. This is an area where the research findings neither added to existing theories and nor did they contradict them but produced one new insight. This proves that SMEs in all locations and periods of time face similar challenges, but new ways of encouraging such activities are emerging as the perceptions of BSR are changing.

RQ7 investigated a recent issue for which literature is in its infancy. It explored the voluntary engagements of time-poor SME owner-managers to examine whether time is a barrier to BSR. Findings contributed two new insights whilst the third finding supported earlier views presented in the literature. All of findins are consistent with other outcomes of this study and therefore reinforce the authenticity of the research contributions.

5.5 CONTRIBUTIONS TO STAKEHOLDER THEORY AND SOCIAL CAPITAL THEORY

The research analysis has produced valuable insights across Stakeholder Theory and Social Capital Theory, the two most frequently applied theories in studies on social responsibility in business. To be precise, the knowledge of both these theoretical perspectives introduced in Chapter 2 has enabled a comparative analysis of the two lenses and their applicability in the light of the research findings (Section 5.2, p. 198).

An overview of the research findings explain that BSR in SMEs is an area that do not follow the basic tenets of stakeholder theory. For example, Findings 1.2 and 5.2 (p. 190, 192) noted a lack of profit motivation in such organisations which goes against Friedman’s (1962) understanding of a successful business and Freeman’s (1984, p. 46) notion of ‘organisational objectives’. Findings 2.2 and 2.10 (p. 190-191) support a similar understanding of social responsibility in the SME sector whilst Finding 3.1 (p. 191) confirms the limited importance of stakeholder’s salience in this regard.

Further, findings from RQ7 (p. 193) clarify the intention of SMEs to increase their social capital by participating in BSR. In particular, limited resources like time and money are invested in activities that may not produce any economic benefit but improve the connections with individuals within and beyond their business networks. In other words, this research
indicates that the concept of social responsibility in the SME sector is closely aligned with the ideology of social capital theory as opposed to the notion of stakeholder theory or the stakeholder salience model.

However, it should be noted that the above views are extrapolated from the research findings in the context of BSR in SMEs only and therefore do not support or challenge the credibility of these two theories in large businesses or in other areas of business management. The following section discusses the implications of the advanced knowledge gained from this study.

5.6 IMPLICATIONS OF RESEARCH FINDINGS AND FURTHER RESEARCH DIRECTIONS

The investigation of the research problem raised a number of implications for theory and identified areas that need further validation. Sections 5.5.1, 5.5.2, 5.5.3 and 5.5.4 below discuss each of these areas.

5.6.1 BSR IN SMEs

Theories on BSR, which is traditionally known as CSR, have until very recent times focused on large organisations, and most of the research in this area has been conducted in the US and Europe. Very few attempts have been made to explore BSR participation in Australian SMEs. An even bigger concern is the continued application of traditional theories to SMEs that were initially developed for and applied to large organisations.

 Communities are now scrutinising organisations’ behaviour more closely. Pressure from the society is growing faster than ever and expectations placed on businesses to create social good have escalated. Recent economic turbulences have further aggravated the situation worldwide. As a result, SMEs are under increased threat mainly from community stakeholders who are not directly involved with the business and they are finding it difficult to manage such external influences and expectations with their limited resources.

Under these emerging conditions, BSR has become a source of competitive advantage for all businesses and a survival strategy for most SMEs, in particular. The proactive natures of social participation by SMEs in Australia, where regulatory mechanisms have not yet
intervened, prove that these businesses are mostly internally motivated. SMEs are now more engaged with their communities and other secondary stakeholders to reduce their business risks and compensate for their lower resource slacks through increased social capital.

Traditional theories that suggested SMEs’ participate in BSR was motivated by the desire for higher profits have lost their validity. The salience of stakeholders appears to have changed in businesses and support in the form of social capital from secondary stakeholders with lower salience has emerged as the underlying motivation for BSR in SMEs. In relation to the model (Figure 2.2, p. 19) developed by the Committee of Economic Development (1971), it can be concluded that the outer circle, denoting newly emerging and amorphous responsibilities, has matured enough and now demands immediate action from businesses. In a similar way, Carroll’s (1979) proposed sequence of business responsibility (Figure 2.3, p. 22) needs further evaluation as discretionary and ethical responsibilities are no longer a luxury, rather as important as are the legal and economic responsibilities of SMEs.

5.6.2 STAKEHOLDER THEORY

Stakeholder theory, since its integration by Freeman (1984) and the development of the stakeholder salience model by Mitchell et al. (1997), has classified stakeholders according to their ownership of three attributes: power, legitimacy and urgency. Based on these attributes, all stakeholders are categorised and ranked. The emerging issue is with the notion of attributes that community stakeholders were initially assigned.

Mankelow (2003) followed Mitchell et al.’s (1997) stakeholder salience model and ranked community stakeholders as the lowest in salience and identified them as discretionary or secondary stakeholders. According to Mankelow, the only attribute held by this group of people is legitimacy. The findings of this study, however, do not support this assigned level of salience. Based on the evidences and data collected in this study, it can be argued that this group of stakeholders might have now gained the two other attributes, power in the form of social control and urgency in the form of support for the business’ survival. Thus, community stakeholders can now be considered as definitive stakeholders of SMEs.

It was also mentioned in Section 2.2.2.3 (p. 34) that the inclusion of urgency as an attribute will explain the dynamics of any change in the level of salience for any stakeholder. Whilst this can be a contextual factor that may vary in some sectors or locations, it is not sufficient to justify the emerging attitude of all SMEs in relation to BSR. However, in large organisations,
the existing model may still be valid to some extent since they are individually more powerful and resourceful than SMEs which probably reduces the need for social capital as a compensator of existing resources. Therefore, the traditional model of stakeholder theory is not as appropriate in SMEs as it is in large organisations.

5.6.3 SOCIAL CAPITAL THEORY

This theory has a shorter history and is more applicable in SME business management areas. To compensate for their lower bargaining power and resources, these organisations participate in BSR that increases the social capital of their businesses. Close relationships and networks with all stakeholders, particularly community members, equip SMEs to control and manage both internal and external influences. This indicates (even though not tested precisely in this research) that gaining structural social capital through connections with individuals beyond their intimate business networks, as identified by Nahapiet and Ghoshal (1998, p. 42), is probably the most important motivation for SMEs to participate in BSR activities. Relational social capital emerging from the connections with stakeholders relatively closer to the organisation (e.g. employees, customers and suppliers) and cognitive social capital which is produced through sharing of values existing in their community, including those with whom the business is directly involved, appears to be of lesser importance. Sharing valuable information, building the company’s goodwill, collective representation through more powerful institutions and other factors that motivate SMEs to engage with their community are all outcomes of social capital, either individually or from any combination of the above three categories. Further, SME owner-managers in the present study could not identify their stakeholders and therefore it can be concluded that SMEs think about BSR in terms of social capital, rather than in terms of stakeholder salience.

However, the difficulty of quantification of social capital is a limitation of this theory. For example, it was noted that SMEs prefer to engage with their employees and customers more than with suppliers, even though all of them are more or less equally important for the business’ performance. According to the literature, involvement with all of these three stakeholder groups produces bridging or relational social capital. Since the outcomes of engagement with any of these stakeholders are similar, social capital theory fails to explain the difference in SME behaviour. In particular, there is a need to examine this anomalous attitude of SMEs and the importance they assign to each type of social capital in the context of BSR decisions. Consequently, the categories of social capital mentioned in the literature
have not been ranked according to their importance. This might be a challenge for SME owner-managers, academics, practitioners and policy-makers to understand the relative importance that businesses may or should assign to each type of social capital.

5.6.4 PRACTITIONERS AND POLICY-MAKERS

Research findings indicate, although qualitatively, that social capital is crucial for SMEs’ survival and can potentially extend to the fulfilment of economic objectives of the business. Considering the rising awareness of organisational behaviour worldwide and the expectations that stakeholders now have of businesses, SMEs’ welfare will be at stake if they discount the significance of their legitimate stakeholders. Whilst an examination of the financial outcomes of social participation was beyond the scope of this study, the social capital raised through engagement with community members and other discretionary stakeholders was found to ease the pressures on SMEs from all stakeholders. Therefore, SME owner-managers and the consultants of SMEs will need to integrate this aspect of BSR into their future activities or recommended strategies to ensure long-term survival of their business and clients respectively.

Similarly, policy-makers will have to recognise the psychology and attitudes of SMEs in regards to social participation. An in-depth understanding of SME behaviour should be taken into consideration for planning and implementing rules that will effectively assist these organisations to operate efficiently and at the same time produce greater social benefits. Since SMEs participate in BSR to increase their social capital and do not consider the salience of their stakeholders when doing so, any legislation that may restrict or impede community engagement will result in adverse outcomes for the economy and increased risks for the businesses. Initiatives that will increase the knowledge and information about the benefits of BSR appear likely to be an effective way of facilitating social participation. Similarly, tax incentives that can reduce the financial burdens of SMEs may result in increased BSR participation. Therefore, policy makers in future can capitalise on these findings and take appropriate actions which will benefit the entire economy.

5.6.5 FURTHER RESEARCH DIRECTIONS

This research raises the possibility of future investigations in different political and economic environments, locations and industries. Since there is a lack of similar studies in the literature,
particularly in Australia, more empirical studies of BSR participation in SMEs using the same or different methodologies need to be conducted. Even though this research produced new insights and enriched the quality of existing literature, the summary of contributions (Table 5.2, p. 217) indicates that there are a number of areas where findings did not support the theory or prior research. Confirmation of the new knowledge gained and investigation of contradictory findings would assist in developing a comprehensive theory of BSR in SMEs.

In particular, there are a few areas that demand immediate attention. Comparing the actual SME participation in BSR with the personal intentions of owner-managers, there appeared to be a contradiction. Interviewees prioritised BSR activities that were directed towards their primary stakeholders, particularly their employees. At the same time, these organisations were found to be more engaged with their communities than with their employees through BSR activities. Even though SME literature claims that SME operations reflect their owners’ values and character, the findings of this study do not support this proposition. It appears that community influences, which the owner-managers were unable to identify formally, have a considerable impact on the authority of SME owners in making decisions on BSR. Further investigations need to confirm this unique behaviour of SMEs.

The results of this study indicate a change has occurred in the attitudes of SMEs towards social responsibility. Some of the respondents reported that the rising awareness in the community of the impacts of businesses’ activities, and the Global Financial Crisis had affected social participation. Previous literature mentions that SMEs participate in BSR activities out of necessity, but present attitudes demonstrate that motivations are mostly altruistic with the aim of increasing the business’s social capital. Therefore, a longitudinal study investigating SMEs’ participation in BSR in different economic conditions could test the findings of this research.

Another crucial topic for future research can be the investigation of enterprise orientation. Reflecting on the values that drove the participating SMEs of this research and their approach to BSR participation, it became evident that profit-maximisation is not the goal of these businesses, and nor are they strategic about BSR participation. Previous study in Australia (Mankelow 2003) found that SMEs are strategic in participation of social activities and more recent investigation in Italy (Russo & Perrini 2009) found SMEs have an emerging strategic orientation to participate in such activities. However, this research found that the participating SMEs had a strong altruistic motivation for their largely ad hoc BSR participation. The data
did not indicate that they had any intention of leveraging (direct) economic benefits from their involvement in BSR. Future studies of SME orientations both nationally and internationally will be required to generalise and authenticate this conclusion.

Finally, an in-depth study is required to examine the importance of trust, precisely the salience of ‘thick’ and ‘thin’ trust (Putnam 1993) or the ‘narrow’ and ‘wide’ radius of trust (Fukuyama 2000) in SMEs as they participate in BSR. Even though the responses collected in this study demonstrate that such organisations are keen to develop relationships with both community members and stakeholders, this exploratory research had limited scope to inquire if there existed any preference for BSR activities that help SMEs to improve the level of trust between individuals who are within close networks and more intimate in comparison to relatively distant and unknown members from varying social groups within the community.

5.7 RESEARCH LIMITATIONS

The prior delimitations of scope for this research were identified in Section 1.7 (Chapter 1). Limitations of the applied case study methodology were discussed in Section 3.7 (Chapter 3). However, some limitations arising from the nature of the study and the size of businesses involved deserve further attention.

Firstly, this research was conducted in the SME sector of the Gold Coast region of Australia. The selected sample comprised organisations which employed less than 100 employees and therefore did not follow the ABS’s definition of SMEs (organisations with less than 200 employees) due to time and resource constraints. Even though all efforts were made to include a range of industries within the sample, it still may not reflect an ideal cross-section of the SME sector on the Gold Coast or elsewhere. This was in part because the response rates of contacted SMEs were extremely low and some types of businesses, like law firms, were particularly uninterested about participating. In addition, contextual factors like legal, political, economic and similar external conditions which could influence SME behaviour were not considered in this study and therefore it may not be appropriate to apply the results to all contexts.

Data collection through qualitative face-to-face interviews revealed another potential limitation of this study. Although it is an appropriate method for investigating the attitudes,
opinions and values of respondents as justified in Section 3.4.1(Chapter 3), sometimes the respondent can be reticent to answer some questions fully and openly. For example, there are no regulatory mechanisms that force Australian SMEs to participate in BSR. All organisations, particularly SMEs, voluntarily engage in such activities since they consider meeting social expectations is primarily an ethical act and a morally correct thing to do. As a result of these ethical and moral values that are associated with BSR, SME owner-managers were occasionally uncomfortable with a few of the interview questions and this might have caused some biases in their responses. One of the new findings noted the motivations of owner-managers for participating in BSR differ from the motivations of SMEs and this dichotomy could have been emerged from the unwillingness of the interviewees to share their personal feelings.

Another limitation related to the data collection was the interviewees. This research initially aimed to interview one or more people in each SME, depending on the number of persons involved in the organisation’s BSR decision making process. But due to the time constraints of the SME owner-managers, interviews were conducted with either the owner or one of the managers in all cases. As the data collection commenced, it was realised that in some companies, major decisions on BSR are at the sole discretion of their owners. Therefore, interviews with the managers often failed to provide insights into the attitudes of the owners. These insights may have improved the credibility of the research outcomes.

5.8 CONCLUSION TO THIS CHAPTER

This research examined the research topic: Corporate social responsibility in small and medium enterprises: Application of stakeholder theory and social capital theory. A qualitative case study methodology produced 38 findings that generated new knowledge, added to and improved the existing body of knowledge about BSR in SMEs, and highlighted the recent developments in this area which will assist future researchers to build a coherent and comprehensive theory related to social responsibility in SMEs.

Firstly, the research problem and the research questions were restated since they were the basis for the conclusions. Next, findings of each research question were discussed and compared to the literature before the final conclusion on the research problem was drawn. Contributions of this research were then highlighted, showing how this exploratory study has
successfully improved the existing body of knowledge. The implications of the research contributions to individual theories and practice were then discussed. Future research areas were then identified followed by a discussion of the limitations of this study that should be taken into consideration before applying the research findings elsewhere.
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APPENDIX 1: Information Sheet

INFORMATION SHEET

Corporate Social Responsibility in Small and Medium Enterprises:

Application of Stakeholder Theory and Social Capital Theory

My name is Suman Sen and I am a Doctor of Business Administration candidate at Southern Cross University, Australia. As part of my doctoral studies, I am conducting research on the Corporate Social Responsibility in Small and Medium Enterprises in Gold Coast region of Australia. The supervisor for this research is Dr James Cowley of the Graduate College of Management at Southern Cross University (see below for contact details).

While corporate responsibility of large organisations is an area that has been investigated thoroughly in academic literature, there is lack of comprehensive knowledge about the same concept from an SME perspective. Similar to most countries around the world, the SME sector in Australia contribute significantly towards the growth of this economy, social cohesion, employment and local development. As a result, the owners and managers of such SMEs in Australia are often in dilemmas while deciding about participation in socially responsible activities.

The purpose of this research is to gain a thorough understanding of the perceptions, motives and goals of SME owner/managers; factors influencing their decisions and how they prioritise various issues when making decisions of social responsibility.

You are invited to take part in this research by agreeing to participate in an interview. I would be interested to hear your opinions on what role SME’s should
play in social responsibility, what your organisation has considered or even done, barriers and motivators to this and other similar issues.

Each interview will take approximately 30 minutes of your time should you agree to participate, and will take place in your office or workplace or any other venue depending on what is most suitable for you. Unfortunately, I am not in a position to refund travel expenses. You may feel that it is worthwhile involving at the same time, or subsequently interviews with other members of your team who from time to time may be involved in such decisions. Participation is purely voluntary and no financial remuneration or incentive will be offered for taking part in this research. Other than your valuable time, there will be no other costs associated with participation in this research.

Responsibilities of the researcher

To ensure the confidentiality of the information provided by you during the interview, your name and other identifying information will not be attached to data collected. Your name will only be used to enable an appointment to be made to conduct the interview. Your participation in this study is on a voluntary basis.

As an interviewee, you will be asked to sign an informed consent form, in which you give your permission that the information collected in the interview may be used in this study, without identifying you or your organisation’s name. All signed consent forms will be held in safe storage at the University for a period of seven years before being destroyed. You are free to withdraw your consent and discontinue participation at any time.

The research findings may be submitted for publication. Unless agreed or otherwise, all data collected is anonymous and confidential. Other than your role or position within the organisation, no personal data will be used in this research. All information collected will be presented as overall data. In the final research report, the participating organisations will only be referred to as cases with numbers. The results of the research will be made available to interested parties in final thesis format through Southern Cross University’s library.

Responsibilities of the participant and possible risks

The only requirement of you as part of this research, should you agree to participate, is a commitment of time and willingness to share your opinions and experience about the research topic. There are no foreseeable risks or discomforts involved for you in this research.

Inquiries

This form is yours to keep for future reference. If you have any questions, please feel free to contact us any time:
The ethics aspects of this study have been approved by the Southern Cross University Human Research Ethics Committee. The approval number is **ECN-10-005**. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Ethics Complaints Officer:

**Ms Sue Kelly**  
Ethics Complaints Officer and Secretary  
HREC, Southern Cross University  
PO Box 157, Lismore, NSW-2480  
Telephone (02) 6626-9139 or fax (02) 6626-9145  
Email: sue.kelly@scu.edu.au

All complaints, in the first instance, should be in writing to the above address. All complaints are investigated fully and according to due process under National Statement and this University. Any complaint you make will be treated in confidence and you will be informed of the outcome.
APPENDIX 2: Informed Consent Form

INFORMED CONSENT FORM

Title of research project:


Name of researcher: Suman Sen

Name of Supervisor: Dr James Cowley

(Contact details of the researcher and the supervisor are contained in the information sheet about this research)

NOTE: This consent form will remain with the Southern Cross University researcher for their records.

Tick the box that applies, sign and date and give to the researcher

I agree to take part in the Southern Cross University research project specified above. 

Yes ☐ No ☐

I have been provided with information at my level of comprehension about the purpose, methods, demands, risks, inconveniences and possible outcomes of this research, including any likelihood and form of publication of results.

Yes ☐ No ☐

*I agree to be interviewed by the researcher

Yes ☐ No ☐
*I agree to allow the interview to be *audio-taped and/or *video-taped

* Yes ☐ No ☐

*I agree to make myself available for further interview if required

* Yes ☐ No ☐

I understand that my participation is voluntary

Yes ☐ No ☐

I understand that I can choose not to participate in part or all of this research at any time, without negative consequence to me

Yes ☐ No ☐

I understand that any information that may identify me will be de-identified at the time of analysis of any data. Therefore, any information that I have provided cannot be linked to me (Privacy Act 1988 C)

Yes ☐ No ☐

*I understand that neither my name nor any identifying information will be disclosed or published.

Yes ☐ No ☐

I understand that all information gathered in this research is confidential. It will be kept securely and confidentially for 7 years at the University.

Yes ☐ No ☐

I am aware that I can contact the supervisor or researcher at any time with any queries.

Yes ☐ No ☐

I understand that the ethical aspects of this research have been approved by the SCU Human Research Ethics Committee

Yes ☐ No ☐

If I have concerns about the ethical conduct of this research, I understand that I can contact the SCU Ethics Complaints Officer

Yes ☐ No ☐
Participants name:
__________________________________________________________________________

Participants signature:
...........................................................................................................

Date: ________________________

☐ Please tick this box and provide your email address below if you wish to receive a summary of the results:

Email: 
__________________________________________________________________________

Contact details for the ethics offices are:

HREC Secretary
Sue Kelly
Tel: (02) 6626 9139
Fax: (02) 6626 9145
Email: ethics.lismore@scu.edu.au

HRESC Secretary Coffs Harbour
Tel: (02) 6659 3924
Fax: (02) 6659 3622
Email: ethics.coffs@scu.edu.au

HRESC Tweed Heads/Gold Coast
Sue White
Tel: (07) 55069303
Fax: (07) 5506 9202
Email: ethics.tweed@scu.edu.au
APPENDIX 3: Interview Question 9

IQ 9. How would you like to prioritise (rank) the following options in your business?

A. Make donations for better cancer treatment.
B. Give additional medical benefits to employees.
C. Use marginally dearer environment friendly stationeries.
D. Sponsor a local football team.
E. Fund a community group which opposes smoking.
F. Financial support for employees to enhance professional skills.
G. Control energy usage to reduce operational costs.