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# **A Little Help from My Friends: Assessing the Adjustment of Small and Medium-Sized Enterprises to Corporate Social Responsibility**

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**Abstract** With growing environmental and social awareness, corporations are facing rising pressure to engage in corporate social responsibility (CSR); small and medium-sized enterprises (SMEs) are no exception. With operational constraints in resources and time, SMEs may attempt to boost their CSR through external sources. Adopting the perspective of stakeholder theory and drawing from the literature on socialization, this research suggests that the extent to which an SME adjusts to CSR principles mediates the relationship between CSR performance and SME stakeholder knowledge and interaction. This article tests the hypotheses with an online survey of SME owner-managers. The results show a mediating impact of organizational CSR adjustment over and above the direct effects of stakeholder knowledge and stakeholder interaction on CSR performance. The findings also suggest that organizational CSR adjustment directs CSR performance, enabling employees to engage in effective and efficient CSR activities. Theoretically and managerially relevant implications for researchers and SMEs are discussed.

**Keywords** Corporate social responsibility; CSR; Organizational adjustment; Small and medium-sized enterprises; SME; Stakeholder theory

## 1. Introduction

A small workshop in Rechberg, Austria, took the lead in mobilizing and coordinating the efforts of its external stakeholders (community members, local government, and trade unions) to establish a new SOS Children's Village (Aigner-Mühlehner, 2008). Both the workshop and its stakeholders contributed materials, expertise, and labour. As a result, five abandoned, destitute, and orphaned children were grouped in a house with an SOS mother, and three such houses were grouped together as a "village" with shared facilities.

As a result of growing environmental awareness and attention to morally and socially acceptable practice, companies worldwide—from large multinational corporations to small and medium-sized enterprises (SMEs), such as the Austrian workshop—are under increasing pressure to operate in ways that improve both private and public well-being (Aguilera, Rupp, Williams, & Ganapathi, 2007; Mick, Pettigrew, Pechmann, & Ozanne, 2012). Popular demand fuels this need, as consumers are factoring firms' corporate social responsibility (CSR) image as a significant facet in their purchase decisions (Isusi, 2002). SMEs, that is, firms with fewer than 250 employees or less than AU\$ 100 million in annual turnover, often attempt to leverage their network of stakeholders to approach CSR in a sourced manner (Lewis & Cassells, 2009). Metalquimia is a case in point. The Spanish family-run firm specializes in the design and manufacture of meat processing equipment. The company formalized a system of obtaining external stakeholder feedback as part of its CSR learning process. Creditors, investors, and suppliers worked closely with Metalquimia to develop a new meat drying technique called Quick-Dry-Slice. The technique reduces the drying and curing time of meat substantially, is more eco-friendly, and exposes employees less to harmful chemicals than traditional ways of curing (MacGregor & Fontrodona, 2011). This approach of "joining forces" is increasingly viewed, at least in theory, as an enabler to scale SMEs' CSR activities (Plaza-Úbeda, de Burgos-Jiménez, & Carmona-Moreno, 2010).

However, the actual deployment of SME's CSR is only slowly gaining momentum and is proving more difficult and complex than for larger corporations (Uhlener, Berent-Braun, Jeurissen, & de Wit, 2012). An industry survey, for example, reveals that less than 20% of SMEs share CSR initiatives (Isusi, 2002). Jenkins (2006) suggests that the inability of SMEs to benefit from the strategic potential embedded in a stakeholder-integrated approach to CSR is due to their failure to fully adjust to their CSR role. Therefore, understanding how organizational adoption of and adjustment to CSR principles interacts with SMEs' ability to integrate stakeholders is crucial in helping them boost CSR performance and ultimately reap the benefits associated with this responsible business behaviour.

Wood (1991) suggests that the degree to which employees adhere to CSR principles is associated with the way firms treat stakeholders and integrate them into CSR activities. According to stakeholder theory, stakeholder integration is the process that can "facilitate the institutionalization of collective knowledge" (Plaza-Úbeda et al., 2010, p. 421). Galbreath (2010, p. 515) argues that a firm's CSR adjustment reflects "the way organizational members are expected to think and behave in relation to tasks and to other people". However, research support for the impact of various stakeholders on the adjustment of SME employees to CSR principles is lacking. Yet, as Spence (1999; Spence, Jeurissen, & Rutherford, 2000) points out, there is a link between the trouble the environment and some societies are having and the prevalence of SMEs in the economy. Consequently, there is a managerial and theoretical need to gain deeper understanding of the role of SME adjustment to CSR principles in translating effective stakeholder integration into successful CSR performance. The current research aims to combine CSR-related insights gained from stakeholder theory with those from the marketing literature on value chains, socialization, and sustainability. In doing so, this research presents three contributions that extend theorizing on SMEs' CSR performance.

First, we advance the concept of organizational CSR adjustment, which we define as the extent to which employees (1) cope with the demands of their CSR role, (2) master and have confidence in fulfilling the obligations associated with this CSR role, and (3) accept and understand the importance of the company's CSR-related norms and values. Second, we position organizational CSR adjustment as a focal and mediating construct as part of an integral conceptual model that accounts for the relationship between stakeholder integration and SMEs' CSR performance. We identify two important integration-related drivers of organizational CSR adjustment and, ultimately, CSR performance: stakeholder knowledge and stakeholder interaction. Third, we aim to account for heterogeneity that is frequently present in extant literature in relation to SMEs' CSR. For example, several reports note the puzzling and inconsistent accounts of SMEs' adjustment to CSR (Eichholz, 2007; Isusi, 2002; Mandl & Dorr, 2007). We argue and demonstrate that SME-specific operational constraints can account for the diverging results.

The rest of this article proceeds as follows: We begin by introducing the conceptual building blocks of our research and develop hypotheses that explain relationships between them. Then, we report the results of an empirical study conducted on a real-life sample of SME owner-managers to test our hypotheses. We conclude with a discussion of the theoretical and managerial implications of our findings.

## **2. CSR performance of SMEs**

A brief history of CSR tells us that in the past decades, the concept of CSR has received considerable attention. Bowen's (1953) work on the social responsibilities of businessmen is said to have marked the beginning of the modern era of CSR. The general interest and number of scholars contributing to the notion of CSR and its implications for business practice increased substantially in the subsequent decades. During the 1960s, the early definitions, which Bowen (1953) and others helped develop, were gradually expanded. A remarkable

proliferation in the mere number of definitions characterized the early 1970s; simultaneously, CSR definitions became more specific (Carroll, 1999). After Carroll (1979) set forth the theoretical foundation for a comprehensive and generally applicable conceptual definition of CSR performance, the plethora of definitions diminished. Instead, during the 1980s, the focus turned more to developing measures designed to capture CSR performance and its relationship to economic outcomes, such as financial performance (e.g., Aupperle, Carroll, & Hatfield, 1985; Cochran & Wood, 1984). In the 1990s, researchers concentrated even less on conceptual definitions of CSR and referred to the concept as a starting point or building block for the development of related concepts and alternative themes, such as stakeholder theory (e.g., Wood, 1991).

Sustainable marketing scholars constantly reaffirm that CSR performance encompasses meeting the “economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (Carroll, 1979, p. 500). A central theme of this definition is that modern organizations have moral responsibilities to the wider society that go beyond the traditional pursuit of profit and compliance with the law (Buchholz, 1991; Martin, 2002). So far, CSR performance has mainly been researched in the context of large multinational corporations (Lepoutre & Heene, 2006). However, recent years have witnessed an increasing number of SMEs entering the CSR playing field. SMEs are the lifeblood of an economy. More than 90% of all non-financial companies are SMEs (Lall, 2000). As such, SMEs hold sway over their surrounding communities and collectively leave an impressive ecological footprint (Spence, 1999; Spence et al., 2000). For that reason, Perrini (2006) proposes that SMEs cannot avoid the discussion surrounding business responsibility and must also actively adopt and adjust to CSR principles. At the same time, Jenkins (2004, p. 38) recognizes that it would be “inappropriate to develop CSR strategies for SMEs along the same lines as for large corporations”, because as Tilley (2000, p. 33) notes, “small firms are not

little big companies”. With this insight, a stream of research has systematically investigated which SME-specific characteristics influence CSR (e.g., Lepoutre & Heene, 2006; Tilley, 1999, 2000; Udayasankar, 2008). These findings indicate that SMEs differ fundamentally from their larger counterparts in underlying assumptions and business characteristics. Facing operational constraints, such as a lack of financial and personnel resources and time, SMEs generally have difficulty in initiating CSR efforts (Lepoutre & Heene, 2006; Udayasankar, 2008). Yet, given their omnipresence, SMEs have the potential to strongly influence CSR.

### 2.1 The Stakeholder Perspective on CSR of SMEs

Researchers in the field regularly refer to CSR as a starting point or building block for the development of related concepts and alternative themes, such as stakeholder theory (e.g., Jurgens, Berthon, Papania, & Shabbir, 2010; Wilson, Bunn, & Savage, 2010; Wood, 1991). One of the first academics to appreciate SMEs’ relationships with stakeholders for CSR was Jenkins (2004, p. 39), who described small businesses as “social entities that revolve around personal relationships”. Russo and Perrini (2010) propose a causal link between SMEs’ stakeholder relationships and their responsible behaviour. They designate CSR as the outcome of an organization’s efforts to nurture stakeholder relationships. Table 1 provides illustrative excerpts of the subsequent stakeholder perspective on SMEs’ CSR.

**Table 1** The stakeholder perspective on CSR of SMEs: Examples of expert evidence

Representative research	Evidence
Fassin (2008, p. 366)	“Small business leaders are particularly sensitive to activities in relation to their immediate stakeholders”.
Jenkins (2006, p. 243)	“Stakeholder relationships for an SME may be based on a more informal, trusting basis and characterised by intuitive and personal engagement”.

- Lepoutre and Heene (2006, pp. 258-259) “Small businesses would naturally engage in practices that are aligned with their stakeholders’ wishes and behave socially responsible”.
- “Small business owner-managers are ... sensitive to activities related to their immediate internal stakeholders, involving loyalty in their (often close) relationship with [them]”.
- Morsing and Perrini (2009, pp. 3-5) “SMEs are able to establish mutual help relationships”.
- “SMEs have stronger relationships with their stakeholders than their MNC counterparts and therefore SMEs have a strong social capital”.
- Murillo and Lozano (2006, pp. 228-229) “Informal relations and communication predominate; ... interpersonal relationships are very important; there is a high degree of interrelation with their environment or communities”.
- “SMEs – due to their particular dependency on the network of interpersonal relationships ... – should be especially interested in investing in social capital”.
- Perrini (2006, p. 312) “There are several stakeholders with whom SMEs have a stronger relationship than do big corporations, and these stakeholders are often embedded within SMEs' social capital”.
- Russo and Perrini (2010, p. 208) “CSR is the outcome of the relational accumulating process through which SMEs build their social capital stakeholder relationships and social capital”.
- Spence (1999, p. 164) “Small firms tend to ... [be] built on personal relationships”.

There is emerging consensus that stakeholder theory is an appropriate lens through which to perceive and understand CSR of SMEs (Jamali, 2008; Jamali, Zanhour, & Keshishian, 2009; Jenkins, 2004, 2006; Russo & Perrini, 2010). Stakeholder theory, which was originally developed as a counter-argument to traditional agency theory, aims to answer the following two questions: (1) Which groups constitute actual stakeholders requiring special (management) attention? and (2) How much importance should organizations assign to these groups (Mitchell, Agle, & Wood, 1997)? According to Freeman (1984), these stakeholders are groups that can affect or be affected by the results of an organization’s actions. Because

this perspective includes government, community members, creditors, investors, suppliers, and trade unions (i.e., external stakeholders beyond the traditional pool), Jamali (2008) remarks that Freeman's work helped re-conceptualize the nature of the company. The new stakeholder perspective expects organizations to manage an extended network of stakeholders across increasingly permeable organizational boundaries in the most responsible way. Mitchell et al. (1997, p. 855) summarize the stakeholder perspective as "broadening management's vision of its roles and responsibilities beyond the profit maximization function to include interests and claims of non-stockholding groups". In general, adopting specific managerial procedures in line with stakeholder theory and designed to manage important stakeholder relationships should come naturally to SMEs. Gaining knowledge about stakeholders and interacting with them in compliance with the stakeholder perspective enable SMEs to respect the CSR principle of "addressing the wide ranging and constantly changing set of stakeholder demands" (Jenkins, 2004, p. 43).

## 2.2 SMEs' Organizational CSR Adjustment

Fulfilling the CSR role in an appropriate and satisfactory manner is contingent on an SME's employees (Hemingway & Maclagan, 2004). They must internalize principles of business responsibility for CSR efforts to be effective. As Garavan et al. (2010, p. 588) note, "success in achieving an appropriate level of CSR ... is primarily contingent on discretionary employee behaviour". In turn, Galbreath (2010) explicitly addresses the link between an employee's way of thinking and acting and the responsibility the organization assumes for its social and natural environment. He concludes that the beliefs, norms, and values that employees hold about a firm's accountability and responsibility for its surroundings undeniably change employee behaviour.

To reflect the process through which employees internalize CSR principles, Feldman's (1981) conceptualization of newcomer adjustment seems appropriate. According to him,

newcomer adjustment denotes the socialization process through which newcomers acquire organization-specific principles to transition from organizational outsiders to organizational insiders. In general, socialization or adjustment constructs deal with the processes and implications associated with the acquisition of a certain set of beliefs, norms, and values (Page, 2004). Organizational CSR adjustment then refers to the process through which employees internalize the beliefs, norms, and values related to CSR. As such, CSR adjustment can be regarded as a type of organizational socialization that can be assessed in a similar manner to newcomer adjustment. We embed organizational CSR adjustment in a model consisting of antecedents, consequences, and boundary conditions. We develop and test the respective hypotheses in relation to this focal construct.

### **3 Hypotheses Development**

This section outlines the different components of the conceptual model and explains the path-dependent relationships between them. First, we outline two stakeholder integration attributes and explain their expected effects on organizational CSR adjustment. We propose stakeholder integration can facilitate processes by which organizations internalize the beliefs, norms, and values required to adopt effective CSR principles. Consequently, we identify stakeholder knowledge and stakeholder interaction as primary drivers of organizational CSR adjustment. Second, we focus on the impact of a tripartite organizational CSR adjustment construct on CSR performance. Finally, we discuss two operational constraints to CSR performance that are especially relevant to the SME context.

#### **3.1 Stakeholder Knowledge**

Maignan and Ferrell (2004) refer to stakeholder knowledge as “intelligence generation”, regarding it as a crucial step toward stakeholder integration. Zollo and Winter (2002) acknowledge the accumulation of knowledge about stakeholders and their concerns as a main ingredient in building important employee capabilities. Plaza-Úbeda et al. (2010) base

the relative importance attributed to information gathering on the notion that the continuous exploration of stakeholders not only enhances organizational learning but also spurs the development of new insights among employees. Moreover, Jamali (2008, p. 216) argues that information collection is a precursor to the development of tailored CSR activities because an organization's "responsiveness is rooted in knowledge about the external environment".

SMEs do not manage knowledge the same way as larger organizations. Exploitation of external sources of knowledge (Uhlener, van Stel, Duplat, & Zhou, 2013) as well as employee socialization and knowledge sharing (Desouza & Awazu, 2006) are the predominant ways through which knowledge is acquired in SMEs. Jenkins (2006) supplies arguments in favour of a positive impact of stakeholder knowledge generation by SMEs on organizational CSR adjustment in particular. She reports that stakeholder knowledge helps SMEs both learn what aspects of CSR are important and recognize "where the [CSR] focus and emphasis of the company should be" (Jenkins, 2006, p. 251). With greater awareness of stakeholder needs and interests, employees' understanding of their own CSR role in the organization may improve. Furthermore, with insights gleaned from stakeholders, employees' confidence in tasks related to the management of CSR may increase. Both awareness and insights may contribute to the understanding and acceptance of CSR as pertinent to the organization. Thus, we hypothesize the following:

**Hypothesis 1** Stakeholder knowledge has a positive effect on organizational CSR adjustment.

### 3.2 Stakeholder Interaction

In addition to stakeholder knowledge, interaction, such as consultation, cooperation, and collaboration, may affect organizational CSR adjustment (Grafé-Buckens & Hinton, 1998; Green & Hunton-Clarke, 2003). Stakeholder interactions range from mediated communication, such as emails and phone calls, to personal meetings during which stakeholders actually participate in organizational decision making (Plaza-Úbeda et al., 2010).

Wu and Eweje (2008) argue that stakeholder interaction contributes to several organizational learning processes and the emergence of new core competences. Because adjusting to CSR principles also constitutes an organizational learning process, stakeholder interaction has the potential to equally be a facilitator. Interactions with stakeholders inevitably bring employees closer to the stakeholder enterprise, its needs, and interests. In turn, this closeness should improve employees' perceptions and understanding of their own role and influence on CSR. Furthermore, such interactions may lead to the development of routines and confidence in carrying out CSR-related tasks. Finally, interactions with stakeholders may contribute to the development of mutual understanding and acceptance of the importance of CSR at the employee level (Plaza-Úbeda et al., 2010). Thus, we hypothesize the following:

**Hypothesis 2** Stakeholder interaction has a positive effect on organizational CSR adjustment.

In addition to this expected direct effect of stakeholder interaction, a literature review reveals an alternative path-dependent relationship. Plaza-Úbeda et al. (2010) contend that stakeholder integration is a consecutive process, requiring particular steps to occur in a certain order. Maignan and Ferrell (2004) are more specific; they propose that stakeholder information is not converted to knowledge unless it is driven by the interaction, which the organization adopted to actually meet stakeholder integration. As such, stakeholder knowledge functions as a mediator. Following their suggestion, we hypothesize the following:

**Hypothesis 3** Stakeholder knowledge mediates the effect of stakeholder interaction on organizational CSR adjustment.

### 3.3 Organizational CSR adjustment

The potential for path-dependent relationships between organizational CSR adjustment and associated performance we derive from Feldman (1981), who finds that employees who scored high on three adjustment variables performed better in their jobs: (1) coping with the demands of the role, (2) mastering and gaining confidence in carrying out the tasks associated

with the new role, and (3) understanding and accepting the company's norms and values. Accordingly, we contend that these three key indicators of organizational CSR adjustment may positively affect CSR performance. First, "role clarity" may be identified as an underlying dimension of organizational CSR adjustment because CSR performance parameters depend on the extent to which employees know what is expected of them in their CSR roles. Second, organizational CSR adjustment may depend on "self-efficacy", which is the belief that people can meet the requirements of the CSR roles. Third, "social acceptance" seems important, that is, workers must acknowledge, appreciate, and like their peers' norms and values; this helps them adjust to collective CSR-related norms and values. This conceptualization is in line with recent research showing that CSR activities and efforts depend on the degree to which organizations internalize CSR principles (Galbreath, 2010) and the extent to which employees adhere to CSR principles (Hammann, Habisch, & Pechlaner, 2009; Hemingway & Maclagan, 2004). In other words, the extent to which an organization adopts and adjusts to CSR principles may drive the implementation of CSR activities. More specifically, if employees (1) clearly understand what is expected of them in terms of CSR, (2) believe that they can accomplish their CSR-related tasks, and (3) share an understanding and acceptance of the importance of CSR, CSR performance is more likely to occur. Thus, we hypothesize the following:

**Hypothesis 4** Organizational CSR adjustment has a positive effect on CSR performance.

One of the aims of this research is to investigate whether organizational CSR adjustment is suitable to function as a mediating construct between CSR performance and stakeholder knowledge and interaction. To assess the degree of mediation, we must take into account possible direct effects of stakeholder knowledge and interaction on CSR performance. Thus, we hypothesize the following:

**Hypothesis 5** Stakeholder knowledge has a positive direct effect on CSR performance, over and above the indirect effect through organizational CSR adjustment.

**Hypothesis 6** Stakeholder interaction has a positive direct effect on CSR performance, over and above the indirect effect through organizational CSR adjustment.

The SME literature identifies two operational constraints that are crucial to understanding the boundaries of CSR performance in this context: lack of resources and lack of time. Thus, we develop hypotheses about the impact of these boundary conditions.

### 3.4 Lack of Resources

According to Isusi's (2002) extensive SME survey, 16% and 65% of SMEs report that "lack of money" and "too few human resources available", respectively, are the major obstacles preventing CSR performance. Indeed, many CSR activities seem inappropriate for SMEs because they require investment of substantial capital, which may not be feasible in their case (Kuhndt, Türk, & Herrndorf, 2004). This constraint is attributable to a characteristic inherent to SMEs: "small firms are ... often resource poor, presenting problems accessing finance and labour" (Tilley, 1999, p. 240). This insight into insufficient levels of financial and personnel resources leads us to hypothesize the following:

**Hypothesis 7a** Lack of resources has a negative effect on CSR performance.

**Hypothesis 7b** Lack of resources attenuates the relationship between organizational CSR adjustment and CSR performance.

### 3.5 Lack of Time

Isusi's (2002) survey also reveals that lack of time is the main barrier for 19% of surveyed SMEs to adopt CSR. In SMEs, it is not feasible to allocate the CSR management to one (specialized) employee (Tilley, 1999), and it is uncommon for owner-managers to prioritize CSR in their day-to-day activities (Lepoutre & Heene, 2006). Thus, we hypothesize the following:

**Hypothesis 8a**      Lack of time has a negative effect on CSR performance.

**Hypothesis 8b**      Lack of time attenuates the relationship between organizational CSR adjustment and CSR performance.

Fig. 1 provides an overview of the conceptual model that incorporates the hypotheses we test in our empirical study.

[Insert Figure 1 about here]

## 4 Material and methods

### 4.1 Participants

To test our hypotheses, we surveyed owner-managers of SMEs. As several scholars (Hammann et al., 2009; Hemingway & Maclagan, 2004; Spence, 1999) argue, the ethical perspective of SME owner-managers usually maps directly onto the entire business, in contrast to most CEOs' values and the large corporations they head. SME owner-managers typically also have a more comprehensive overview of the business (Desouza & Awazu, 2006). Therefore, owner-managers are the best-informed possible participants in our study.

We drew a random sample ( $n = 948$ ) from the SME population of the regional business registry of the Chamber of Commerce of a mid-sized city in a Western country. From this registry, we generated a mailing list and e-mailed owner-managers a letter that informed them about the research project, guaranteed the confidentiality of their answers, and displayed a link to the questionnaire. After a reminder was sent one week later, a usable sample was attained that signified an 8.4% response rate. The largest segment of participating SMEs employed 1 to 10 people (41.4%), followed by SMEs with more than 50 (32.2%) employees, and 10 to 49 (26.4%) employees. Most SMEs worked in a business-to-business (B2B) context. More specifically, the SMEs operated in industries such as engineering (29.9%), information technology (19.5%), industrial manufacturing (14.9%), chemistry and pharmacy (9.2%), retail (8.0%), and gastronomy (3.4%). The remaining respondents provided

open-ended answers to the industry question, so we coded them into general service providers (6.9%), consultancy (4.6%), and PR and media communications (3.5%). Most SMEs conducted business on a global (28.7%) or continental (26.4%) level. An additional 17.2% and 11.5% set nation- and state-wide operational boundaries, respectively, and 16.1% restricted business activities to the region.

Following Armstrong and Overton (1977), we assessed the difference in mean scores for all continuous scaled variables between early and late respondents to test for non-response bias. Independent-samples t-tests for all 40 continuous scaled variables indicated no significant differences between early and late respondents. Thus, non-response bias does not seem to be an issue in this study, and the findings can be generalized to the wider population. Furthermore, participating SMEs showed no significant differences in CSR performance for industry, management structure, or operational boundaries. Yet, company size was positively correlated with CSR performance.

#### 4.2 Measures

All construct items in our questionnaire were based on scales previous research has validated. The 7-point Likert-type scales ranged from “strongly disagree” to “strongly agree”. We measured stakeholder knowledge and interaction with scales adopted from Plaza-Úbeda (2010). We measured organizational CSR adjustment using Köhler et al.’s (2011) scale, which contains three lower-order constructs: role clarity, self-efficacy, and social acceptance. We developed the lack of resources and lack of time measures for the purposes of this study specifically; each contained two items. CSR performance was operationalized by assessing SMEs’ ethical and discretionary responsibility—the two variables that go beyond the traditional expectations society has of organizations (Buchholz, 1991; Martin, 2002). We used the validated scales for the lower-order constructs that Galbreath (2010) and Lindgreen et al. (2009) developed to build the higher-order construct. We also controlled for company size,

industry, management structure, and operational boundaries, measured with multiple-choice questions.

### 4.3 Data Analysis

We obtained the parameter estimates in the measurement and structural model by applying a partial least squares (PLS) path modelling approach. In support of our analysis, we relied on the SmartPLS software program (Ringle, Wende, & Becker, 2014). We chose this component-based structural equation modelling (SEM) technique over covariance-based SEM techniques because PLS path modelling (1) poses less stringent requirements on the measurement levels of the manifest variables, (2) is more suitable for working with small sample sizes as low as 50 (Hsu, Chen, & Hsieh, 2006; Tenenhaus, 2008; Tenenhaus, Vinzi, Chatelin, & Lauro, 2005), (3) can fit complex models containing many relationships and latent constructs measured with as many as 25 manifest variables (Chin, 1998), and (4) allows for conceptualization of multi-dimensional factors through the repeated use of manifest variables (Wetzels, Odekerken-Schröder, & van Oppen, 2009). Thus, we could create organizational CSR adjustment and CSR performance by specifying them as higher-order latent variables that represent all the manifest variables, which make up the underlying lower-order latent variables of role clarity, self-efficacy, and social acceptance (for organizational CSR adjustment) and ethical and discretionary responsibility (for CSR performance). Table 2 contains the variables, items, standardized loadings, composite reliability, and average variance extracted of the independent, dependent, and control measures.

**Table 2** Measures, reliability, and convergent validity

Variable	Items	<i>SL</i>	<i>CR</i>	<i>AVE</i>
Stakeholder knowledge (Plaza-Úbeda et al., 2010)			.90	.65
	The company keeps documented information on the previous relationships with stakeholders (important meetings, conflicts, agreements, judicial or extrajudicial demands, etc.).	.71		
	Knowledge of all stakeholders and their demands is very important for the managers (performance, relationships among them, positions of power, importance, satisfaction, and so on).	.79		

	The company obtains feedback on its repercussions on stakeholders.	.88		
	The company dedicates an adequate amount of time and resources to knowing the characteristics of its stakeholders (relationships between different stakeholders, potential threats, cooperation, etc.).	.89		
	There is sufficient information and documentation on stakeholders' demands.	.76		
Stakeholder interaction (Plaza-Úbeda et al., 2010)			.93	.74
	The company frequently has meetings with stakeholders.	.90		
	The company consults the stakeholders and asks them for information before taking decisions.	.93		
	The company's formal or informal cooperation with the stakeholders is intense (commitments, collaboration agreements, and so on).	.94		
	Stakeholders participate in the company's decision-taking process.	.81		
	The company strives to develop new contacts with all the stakeholders.	.70		
Organizational CSR adjustment (Bauer, Bodner, Erdogan, Truxillo, & Tucker, 2007; Köhler et al., 2011)			.95	.61
Role clarity		.85		
	Employees know what they need to do as a responsible representative of our company.	.92		
	Employees know what their responsibilities are when acting on behalf of our company.	.97		
	It is clear to employees what they are obliged to do when working for our company.	.95		
	Employees know what their role is as a responsible representative of our company.	.91		
Self-efficacy		.85		
	Employees believe that demonstrating responsible business behaviour is a task that they can perform better.	.89		
	Employees can master tasks to represent our company in an appropriate and responsible manner.	.87		
	Employees believe they can master tasks to represent our company appropriately and responsibly as well as they would like.	.86		
	Employees are certain they can demonstrate responsible business behaviour well.	.89		
Social acceptance		.71		
	Employees understand the contribution our company makes to social responsibility.	.84		
	Employees accept that responsible business behaviour is important.	.92		
	Employees understand the norms and values that are important to responsible business conduct of our company.	.93		
	Employees accept the norms and values of responsible business conduct of our company.	.93		
Lack of resources			.88	.78
	Our company lacks the staff necessary to handle CSR matters.	.86		
	Our company lacks the financial means needed to finance CSR projects.	.91		
Lack of time			.92	.84
	There is simply not enough time to initiate and manage CSR activities.	.95		
	All time is allocated to tasks securing the economic survival of the firm.	.89		

CSR performance (Galbreath, 2010; Lindgreen et al., 2009)		.84	.73
Ethical responsibility		.92	
	Our business has a formal code of conduct.	.59	
	Top managers monitor the potential negative impacts of our activities on our community.	.66	
	We are recognized as a trustworthy company.	.38	
	Our salespersons and employees are required to provide full and accurate information to all customers.	.39	
	We incorporate the interests of the communities, where we operate, in our business decisions.	.60	
Discretionary responsibility		.77	
	Our business gives adequate contributions to charities.	.51	
	A programme is in place to reduce the amount of energy and materials wasted in our business.	.76	
	We encourage partnerships with local businesses and schools.	.48	
	Our business supports local sports and cultural activities.	.33	
	We help to improve the quality of life in the communities where we operate.	.74	

*SL* = standardized loadings; *CR* = composite reliability; *AVE* = average variance extracted.

## 5 Results

### 5.1 Reliability and Validity Checks

We checked the convergent validity, reliability, and discriminant validity of the measures on several psychometric properties. We evaluated convergent validity by means of the standardized loadings (*SL*) of all items on their respective construct. All measures of single order constructs exhibited *SLs* above the recommended cut-off point of .70 (Hulland, 1999). We measured organizational CSR adjustment as a reflective higher-order construct consisting of three dimensions (role clarity, self-efficacy, and social acceptance) and CSR performance as a reflective higher-order construct consisting of two dimensions (ethical responsibility and discretionary responsibility). The *SLs* of these lower-order constructs on the higher-order construct also exceeded the threshold of .70 (see Table 2).

We assessed reliability by means of the composite reliability (*CR*) and average variance extracted (*AVE*). All *CR* values exceeded the recommended cut-off point of .70, and all *AVE* values were above the recommended cut-off point of .50 (Chin, 1998; Fornell & Larcker, 1981). Thus, all measures satisfactorily fulfilled the reliability requirements.

We also assessed discriminant validity to demonstrate that our variables are distinct. Discriminant validity is established when relationships between different variables are weaker than those within each variable (Chin, 1998). In other words, when examining a correlation matrix, the square root of AVE ( $\sqrt{\text{AVE}}$ ) should be greater than all correlation coefficients involving the variable. Table 3 contains the means, standard deviations, intercorrelations, and  $\sqrt{\text{AVE}}$  of stakeholder knowledge, stakeholder interaction, organizational CSR adjustment, CSR performance, lack of resources, and lack of time. The  $\sqrt{\text{AVE}}$ s for all variables were greater than the correlations with the other variables, in evidence of discriminant validity.

**Table 3** Descriptive statistics and discriminant validity

	<i>M</i> (SD)	1	2	3	4	5	6
1. Stakeholder knowledge	4.60 (1.46)	<b>.81</b>					
2. Stakeholder interaction	4.14 (1.75)	.71	<b>.86</b>				
3. Organizational CSR adjustment	5.34 (1.03)	.23	.12	<b>.78</b>			
4. Lack of resources	4.20 (1.82)	.01	-.04	-.36	<b>.88</b>		
5. Lack of time	4.24 (1.85)	.02	.08	-.33	.75	<b>.92</b>	
6. CSR performance	4.95 (1.08)	.47	.44	.29	-.36	-.38	<b>.85</b>

The square roots of AVE ( $\sqrt{\text{AVE}}$ ) appear on the diagonal in bold.

## 5.2 Hypotheses Tests

Before fitting the model, we formed the interaction terms for testing the hypothesized moderating effects of lack of resources and lack of time. To construct the interaction terms, we applied mean-centering to the indicator values before multiplying the moderator variable with the predictor variable. Then, we tested the hypotheses using a hierarchical approach of fitting two models. Whereas the original model estimate only contained the main effects, the final model estimate contained both the main effects and the interaction terms. This enabled us to assess whether the addition of moderating effects contributed explanatory power to the final model in terms of total variance in CSR performance explained (Chin, Marcolin, &

Newsted, 2003). The addition of the interaction terms related to operational constraints resulted in the final model explaining 51% of the total variance in CSR performance ( $F_{(7, 79)} = 12.51, p < .001, R^2 = .51$ ); the two interaction terms explained an additional 5% ( $F_{(2, 79)} = 4.52, p < .05, R^2 = .05$ ). We compared the total variance explained with Cohen's (1992) guidelines. The estimated overall fit ( $R^2 = .51$ ) indicates a good model fit. Furthermore, stakeholder knowledge and interaction explained 6% of the variance in organizational CSR adjustment ( $F_{(2, 84)} = 2.53, p < .10, R^2 = .06$ ). We tested the hypotheses using this final model (see Fig. 1).

We report the effects of the antecedent, consequence, and moderator variables in Table 4 at statistical significance levels of .10, .05, and .01. We first consider the antecedents. Our results provide support for the prediction that organizational CSR adjustment varies significantly for stakeholder knowledge ( $\beta = .29, t = 1.70, p < .05$ ); thus, we find support for Hypothesis 1. However, no significant effect emerged for stakeholder interaction ( $\beta = .13, t = 1.17, p = .243$ ); thus, we find no support for Hypothesis 2. The results indicate that stakeholder knowledge differs depending on stakeholder interaction ( $\beta = .72, t = 13.4, p < .01$ ), in support of Hypothesis 3. SMEs' increased interactions with stakeholders enhance their stakeholder knowledge.

We also examined the effect of organizational CSR adjustment, stakeholder knowledge, stakeholder interaction, lack of resources, and lack of time on CSR performance. We find that, consistent with Hypotheses 4–6 and 8a, organizational CSR adjustment ( $\beta = .12, t = 1.58, p < .10$ ), stakeholder knowledge ( $\beta = .47, t = 3.84, p < .05$ ), and stakeholder interaction ( $\beta = .51, t = 6.23, p < .01$ ) had significant, positive effects, and lack of time had a significant, negative effect ( $\beta = -.27, t = 2.14, p < .01$ ) on CSR performance. However, we could not confirm a significant effect of lack of resources on CSR performance ( $\beta = -.08, t = .64, p = .525$ ); thus, we find no support for Hypothesis 7a.

Next, we examined the effects of lack of resources and time as moderators of the effect of organizational CSR adjustment on CSR performance. Both lack of resources ( $\beta = -.27, t = 1.77, p < .05$ ) and lack of time ( $\beta = .17, t = 1.35, p < .10$ ) were significant moderators. Assessing the direction of these moderators, we establish that the effect direction for lack of resources was negative, in support of Hypothesis 7b. Unexpectedly, however, the effect direction for lack of time was positive; thus, we find no support for Hypothesis 8b.

**Table 4** Structural model

Hypothesis	Path	$\beta$	$t$	
H1 (+)	Stakeholder knowledge $\rightarrow$ Organizational CSR adjustment	.29	1.70	**
H2 (+)	Stakeholder interaction $\rightarrow$ Organizational CSR adjustment	.13	1.17	
H3 (+)	Stakeholder interaction $\rightarrow$ Stakeholder knowledge	.72	13.49	***
H4 (+)	Organizational CSR adjustment $\rightarrow$ CSR performance	.12	1.58	*
H5 (+)	Stakeholder knowledge $\rightarrow$ CSR performance	.47	3.84	**
H6 (+)	Stakeholder interaction $\rightarrow$ CSR performance	.51	6.23	***
H7a (-)	Lack of resources $\rightarrow$ CSR performance	-.08	.64	
H7b (-)	Lack of resources $\times$ organizational CSR adjustment $\rightarrow$ CSR performance	-.27	1.77	**
H8a (-)	Lack of time $\rightarrow$ CSR performance	-.27	2.14	***
H8b (-)	Lack of time $\times$ Organizational CSR adjustment $\rightarrow$ CSR performance	.17	1.35	*
	Role clarity $\rightarrow$ Organizational CSR adjustment	.90	39.95	***
	Self-efficacy $\rightarrow$ Organizational CSR adjustment	.89	21.43	***
	Social acceptance $\rightarrow$ Organizational CSR adjustment	.80	19.07	***
	Ethical responsibility $\rightarrow$ CSR performance	.91	34.60	***
	Discretionary responsibility $\rightarrow$ CSR performance	.79	8.88	***

\*  $p < .10$ ; \*\*  $p < .05$ ; \*\*\*  $p < .01$ .

We conducted mediation analyses using Iacobucci et al.'s (2007) approach for SEM. The standard errors for the indirect effects were based on 1000 bootstrap samples. In agreement with Hypothesis 3, stakeholder knowledge fully mediated the relationship between stakeholder interaction and organizational CSR adjustment ( $Z = 1.68, p < .05$ ). Furthermore,

organizational CSR adjustment partially mediated the relationship between stakeholder knowledge and CSR performance ( $Z = 1.15, p > .05$ ). In other words, the direct and indirect paths had statistically comparable effects on CSR performance. We did not conduct a mediation analysis for the relationship between stakeholder interaction and CSR performance, because stakeholder interaction's direct effect on CSR performance was not significant. Fig. 1 provides a visual summary of the hypotheses tests.

## **6. Discussion**

### **6.1 Conclusions**

First, this research advances a construct of critical importance that drives CSR performance for SMEs—namely, organizational CSR adjustment. Second, we develop a model that integrates the effects of stakeholder knowledge and interaction on an SME's organizational CSR adjustment and also the effect of this adjustment process on CSR performance. Third, we subjected this latter relationship to the moderating effects of lack of resources and time; we identify the robustness of organizational CSR adjustment as a way to increase CSR performance in the face of SME-specific operational constraints. In summary, this study provides empirical support for the possibility of increasing CSR through external sources, which should enable SMEs to adapt to their CSR role by integrating stakeholders.

### **6.2 Theoretical Implications**

Our results contribute to the existing literature on CSR in an SME context. Our findings confirm research that focuses on the influence of employee behaviour on the adoption of CSR principles (Galbreath, 2010; Garavan et al., 2010; Hemingway & MacLagan, 2004). We add to this literature by demonstrating that organizational CSR adjustment is a focal construct when considering CSR performance for SMEs. We report favourable psychometric properties for its underlying three dimensions (i.e., role clarity, self-efficacy, and social acceptance).

Furthermore, our research answers Jenkins's (2006) call to take into account the specificity of SMEs and their need to join forces to be able to have an impact. We add to the extant body of literature two drivers of SMEs' organizational CSR adjustment (i.e., stakeholder knowledge and stakeholder integration), which emphasize that collaboration with internal and external partners is crucial for CSR performance. Thus, our findings add weight to Spence et al.'s (2000) observation that a combination of mutual accountability and cooperative exchange with stakeholders contributes to the promotion of pro-social and pro-environmental behaviour in SMEs.

Finally, we note that the relationship between organizational CSR adjustment and CSR performance is subject to the moderating effects of the SME-specific operational constraints of lack of resources and time. Thus, financial or personnel bottlenecks hinder the positive impact of employees adopting and practicing CSR principles. Of note, we found the opposite when SMEs were pressed for time. In that case, the positive relationship between organizational CSR adjustment and CSR performance is not attenuated but strengthened. When under time pressure, organizational CSR adjustment may bestow employees with a heuristic that allows them to engage in CSR effectively and efficiently. This notion resembles findings in organization science on social-cognitive constructions of company climates (Schneider, Bowen, Ehrhart, & Holcombe, 2000). Under time constraints, shared perceptions can provide a shortcut to inform role behaviour. Thus, the interaction between these perceptions and the lack of time provides the mechanism that guides efforts to attain a common goal (Zohar & Luria, 2004).

### 6.3 Limitations and Suggestions for Further Research

Every study suffers from limitations, and this research is no exception. Acknowledging the limitations, however, can point to directions that future studies can take. First, we explain organizational CSR adjustment and CSR performance using their primary

three and two lower-order constructs, respectively, but the case can always be made that additional factors account for variance. Thus, we call for an inclusion of organizational CSR adjustment on the research agendas on sustainable marketing and value chains. One avenue for future research may be the origin of the CSR principles to which an SME adjusts. The current standard definition of CSR performance (Carroll, 1979, 1999) suggests that external stakeholders have certain expectations, which the organization attempts to meet. However, it remains entirely possible that an SME's aspirations and efforts are to some degree also emerging from the employees of the SME. Investigating the processes and implications when employees of SMEs acquire a certain set of beliefs, norms and values is clearly worthwhile (Page, 2004).

Second, a survey design does not allow for a detailed assessment of stakeholder integration as a process. Our results show that stakeholder knowledge fully mediates the relationship between stakeholder interaction and organizational CSR adjustment and that organizational CSR adjustment partially mediates the relationship between stakeholder knowledge and CSR performance. The conclusion that "stakeholder integration may be a process" (Plaza-Úbeda et al., 2010, p. 432) thus appears valid. Still, future studies could increase the reliability of our findings by drawing larger samples, using multiple participants per SME, or separating the measurement of organizational CSR adjustment and its antecedents and consequences temporally, methodologically, or psychologically (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

Third, and quite unexpectedly, our study shows that when an SME is under time constraints, the effect of organizational CSR adjustment on associated performance is strengthened. This finding implies that organizational CSR adjustment may complement an organizational climate, which then serves as a safeguard against situations in which SME employees are pressed for time. Further research should investigate the decisions that

founders, owner-managers, and employees make within versus without such facet-specific climates to uncover the ways in which SMEs in particular benefit from organizational CSR adjustment (Zohar & Luria, 2004).

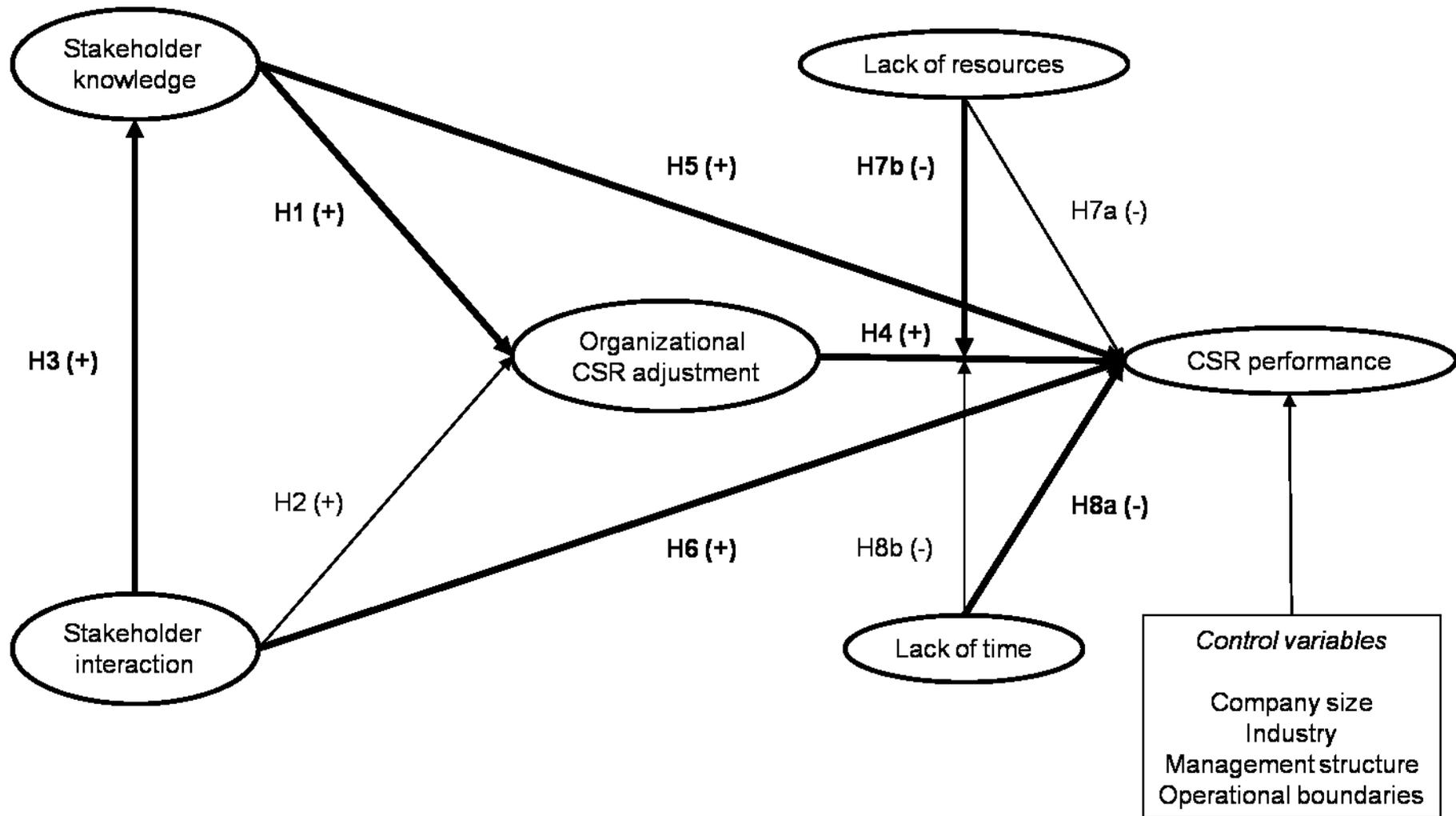
#### 6.4 Managerial Implications

Our findings hold several marketing implications for SME managers. First, managers should be cognizant that stakeholder integration efforts, such as learning about stakeholders' priorities, gathering external knowledge, and obtaining feedback from networks, influence each other. Managers should start by making an inventory of the specific efforts in place and possibly assess their status quo with the measurement battery used in our study (see Table 2). Given this interactive influence of stakeholder integration efforts, we further recommend a comprehensive inclusion of all efforts into an SME's daily marketing activities.

Second, we emphasize owner-managers' central role in the establishment of guidelines. They possess great power in setting the tone for stakeholder integration into their marketing efforts and engaging in CSR performance and thus are in a position to act as CSR champions and stewards. Considering the impact of CSR principles on the CSR performance of SMEs, owner-managers should be aware of their CSR responsibility.

Third, our findings reveal that the marketing practice of integrating stakeholders not only improves CSR directly but also contributes to the effective adoption of CSR principles within an SME. This suggests that increasing CSR performance depends on employees' behaviour. We recommend that managers invest in the development of an organizational culture in which employees accept their role within the CSR activities, feel confident to carry out CSR-related tasks, and share CSR principles. For example, attentional bias modification could be used to prime employees with a CSR bias (Van Laer, De Ruyter, & Cox, 2013). One possible way to achieve this is to play music that features SME-related CSR jargon, such as the Beatles' "a little help from my friends".

Fig. 1 Conceptual model



Notes: Hypotheses supported in the structural equation model appear in bold.

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