

## CSR engagement in SMEs – tactical or strategic?

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### Abstract

**Research aim and objectives:** The aim of the research was to determine what (if any), Corporate Social Responsibility (CSR) activities small and medium-sized enterprises (SMEs) engage in, including their motivations for undertaking such activities, but also their rationale for not doing so. For those engaging, the objective was to ascertain the perceived benefit these activities provide, and whether this was a strategic or tactical decision for the organisation. For those not engaging, the objective was to understand their reasons for non-engagement.

**Theoretical framework:** This paper engages with the strategic CSR literature in framing CSR activities as a set of tools which can address a range of strategic priorities to the long-term benefit of the organisation.

**Design/methodology:** The study surveyed a range of firms in the East Midlands of the UK, in both manufacturing and service sectors and across the spectrum of different-sized organisations over three different years (2017, 2018 and 2020). Respondent numbers ranged from 277 (2017), 280 (2018) and 421 (2020). Similar questions were asked across the three years encompassing a range of CSR-related activities and rationales for engagement or non-engagement.

**Findings:** There has been a growth in interest in CSR activities in the region over the surveyed period. Firm size correlates with increased activity (larger firms engaging more than smaller ones). Different types of activities are associated with different firm sizes: the more common reason for engagement in micro/small businesses is particularly “personal link with a cause/altruism;” there is a willingness to build community links in medium businesses, while staff development is slightly more prominent in larger businesses. Larger businesses perceive CSR

activities as more important to achieve their long-term strategic goals, and they are more likely to increase their investment in CSR as a result.

Practical/social implications: As perceptions of the need for businesses to support their communities continues to grow, awareness on the positive impact of CSR activities in SMEs in achieving strategic objectives needs to be encouraged as a gateway to more sustained investment in CSR in a wider range of SMEs.

Key words: CSR, strategy, SMEs

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### 1. Introduction

The interest in Corporate Social Responsibility (CSR), defined as ‘the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time’ (Carroll, 1979, p. 500), has grown from both an academic and practitioner standpoint in recent years. Societal expectations now demand that organisations demonstrate their commitment to supporting their external environment, whether that be from an environmental or social point of view (Baden et al., 2009). This change in perception has arisen as organisations were subjected to criticism that they were focused purely on profit, rather than their employees or the wider environment in which they operate (Butzbach et al., 2019; Ozawa, 2018). One example of this has been the extension of the supply chain globally, where products are sourced from low-cost economies to increase profits. This has led to the need for accountability from (largely) Western organisations to be aware of the impacts socially and environmentally such sourcing decisions have (Ciliberti et al., 2008). Not only do organisations have to be responsible for the wellbeing of their own direct workforce, but they also need to demonstrate similar accountability to those in their wider supply chain to avoid accusations of exploitation. Equally, they must increasingly demonstrate how their supply chain choices impact the environment in terms of the amount of long distance freight they incur and how this affects carbon and other greenhouse gas (GHG) emissions (Ciliberti et al., 2008).

Small and medium-sized enterprises (SMEs) are a key part of that global supply chain. SMEs are defined as firms with less than 250 employees, a turnover of less than 50 million Euros and a balance sheet total of less than 43 million Euros (European Commission, 2015). They account for approximately 90% of businesses worldwide and more than 50% of employment (World Bank, 2022). Given their importance to the global economy, it is imperative that they

are also engaged with the CSR agenda, in order to support their environment sustainably (Laudal, 2011).

There are detractors from the CSR agenda who assert that managers should focus on generating profits for their capital providers, rather than engaging in additional activities, such as CSR, which are a distraction to the firm's purpose (Assaf et al., 2012; Friedman, 1970; Jensen, 2002). By directing funds away from profit generation into CSR is regarded as *ultra vires* and an expropriation of funds from capital providers which were not provided for social and environmental purposes, but to generate future profits (Friedman, 1970). Whilst these detractors support the stance that firms should conform to local laws, such as health, safety, the environment or employment legislation, they believe that firms should leave other matters to governments as they are best placed to support a more social role. This is because CSR activities are time-consuming and divert valuable resources away from the main aim of the business (Reich, 2008). Scarcity of resource is indeed often cited as a reason that firms, including SMEs, do not engage in CSR (Laudal, 2011).

Hence whilst all profit-seeking firms do need to satisfy their investors and manage their resources effectively, they are, like all organisations, finding themselves increasingly subject to more stringent labour, employment, and environmental laws to raise standards and to support employees (Peck et al., 2012). This does move the goal posts, in that firms are now having to do substantially more to comply with these ever-increasing laws (particularly if they wish to be part of a global supply chain) than they have ever been required to do.

The idea behind CSR is that firms should do more than this minimum legal standard and that by so doing, they will gain greater legitimacy and ultimately better financial performance than if they did not (Blanco et al., 2013; Chiu & Sharfman, 2011). There have been numerous studies about whether engaging in CSR bolsters corporate financial performance (Orlitzky, 2001; Waddock & Graves, 1997; Yadav et al., 2017; Zeng et al., 2010). Overall, the picture is mixed, as the legal and societal goalposts of what is acceptable have moved over time. Nonetheless, overall, there is a perception that firms that engage in CSR are better managed, have better resource utilisation, more satisfied customers, suppliers, and employees and tend to perform better financially overall in the long run (Waddock & Graves, 1997). There is also evidence that organisations use CSR to achieve their strategic goals because of this increased legitimacy (Nielsen & Thomsen, 2018; Velte, 2021).

Most of this extant CSR research has been conducted on large corporate organisations, with relatively few studies on SMEs, despite their global significance economically and socially. Whilst the perceptions may be that SMEs do not engage with CSR due to resource constraints, is this in fact the case? Are their motivations different (i.e., normative ('we are doing this because it is the right thing to do')) rather than strategic ('we are doing this to increase our legitimacy and/or financial performance')? This study seeks to investigate these questions. Many SME studies have chosen to focus on a case study approach, within a particular firm or industry, for a single year, which limits their generalisability (Castka et al., 2004; Tamajón & Aulet, 2013; Torugsa et al., 2012). This study aims to address this by focusing on SMEs in comparison with larger businesses, across industrial and service sectors within a geographical region, the East Midlands of the UK, over a three-year period, to assess the levels of CSR engagement, their motivations for this (non)engagement and also to understand how strategic CSR differs across different business sizes.

This paper is divided into five sections, the introduction to the paper, the literature review and theoretical underpinnings of the work, a methodology section, findings, and discussion and finally a conclusion, highlighting the key findings and contributions.

## 2. Literature review

### 2.1 Corporate Social Responsibility: origins and current forms

Corporate Social Responsibility (CSR) concepts were formalised in the second part of the 20th century (Acquier et al., 2011; Husted, 2015). Businesses are thought to have a responsibility to "pursue those policies, to make those judgments, and to follow those lines of action which are desirable in terms of the purposes and values of our society," (Bowen, 1953, p. 6). CSR has evolved from moralistic discourses into a voluntary management discourse, which has been defined as "enlightened self-interest", CSR is an ethical practice that can produce higher profits (Garriga & Melé, 2004). This work adopts a broad definition of CSR as the overall relationship of the corporation with all its stakeholders (Khoury et al., 1994). In order to operationalize and measure the CSR construct, the idea of Corporate Social Performance (CSP) (Wood, 1991) emerged, as the culmination of the instrumental conceptions of CSR (Windsor, 2006). Over the past 40 years, the majority of CSR research has focused on defending CSR in light of its financial results, but there is now growing evidence that CSR and

its results are simply associated, not causally related (Athanasopoulou, 2012; Lee, 2017). As a result, CSR predictors are the main focus of instrumental CSR research, which has subsequently been intensively researched (e.g. Aguinis & Glavas, (2012)). Such strategic CSR studies illustrate the advantages of CSR implementation for businesses (Bansal & Roth, 2000). A company's motivation for operating stems from the notion that CSR is advantageous for business and likely to increase competitiveness (Bansal & Roth, 2000). Organizational studies have also extensively studied personal values (PV) (e.g. England (1967), Gao (2017)). PV are typically regarded as ideas or convictions that direct an individual's behaviour (Rokeach, 1973). As a result, PV can be used to anticipate a variety of behaviours (Rokeach, 1973). For instance, managers' PV might predict the use of ethical frameworks, or are viewed as moderators / antecedents for CSR (e.g. Hemingway & MacLagan (2004); Windsor (2006)). Rokeach (1973), whose value system is the most utilised in CSR literature, distinguished between end-state (such as social recognition, an exciting life, a world at peace, and equality) and instrumental states (such as being ambitious, responsible, doing the right thing) (Agle et al., 1999).

The instrumental approach to CSR was criticised for its limited scope (cf. Margolis & Walsh, (2003)), in line with a growing interest in the macro discourses around CSR that appeared in tandem with significant societal changes brought about by the industrial and technological revolutions (Freeman et al., 2010; Rifkin, 2012; Schwartz & Carroll, 2008). The actual advantages to society were given more consideration as CSR adoption progressed (Crane et al., 2019; Matten & Crane, 2005). CSR implementation was acknowledged to be greatly influenced by the social and cultural context since different stakeholders' perceptions of benefits project different needs onto the company (Aguinis & Glavas, 2012; Athanasopoulou, 2012; Carroll & Shabana, 2010). These opposing viewpoints affect how businesses interpret CSR, support it as a component of their organisational culture, and strategically implement it (Beschoner & Hajduk, 2017; Ortiz-Avram et al., 2018). For this very reason, many studies have looked at CSR from the specific and unique perspective of small businesses, to capture the uniqueness of their CSR approach.

## 2.2 CSR in SMEs

Despite the fact that SMEs make up more than 99 percent of businesses in Europe and across the world, social responsibility in SMEs continues to be a relatively under-researched aspect of CSR, as noted in the previous section (e.g. Jenkins, (2004); Spence, (2016)). Despite this, numerous academics have attempted to summarise the CSR literature for SMEs (e.g. Beschorner & Hajduk, (2017); Ortiz-Avram et al., (2018)). Various frameworks have been proposed to explain the CSR realities of small businesses, and they follow a continuum from selfish to economic motivations. According to the economic perspective put forth by Wickert et al. (2016), instrumental incentives, such as the pursuit of financial gain or a competitive advantage, are what drive CSR in SMEs.

The relational or institutional perspective is a second viewpoint that Wickert et al. (2016) have suggested. This will be referred to as "organisational" rather than "institutional" due to the discrepancy between levels of analysis as indicated by Wood (1991). In this view of CSR, significant drivers include engagement with legitimate (Windsor, 2006), socially acceptable activities in the long term as well as external demands such stakeholder expectations in the near term (e.g. Mitchell, Agle, Chrisman & Spence, (2011)). Additionally, the proactive application of CSR—also known as social capital—for relationship development in SMEs might be taken into consideration (e.g. Murillo & Lozano, (2006)).

The ethical perspective is the last perspective that Wickert et al. (2016) gleaned from the literature. This suggests a CSR perspective that is motivated by moral considerations (Baden & Harwood, 2013), and is comparable to Aguilera et al. (2007) and their morally motivated domain. Among others (Spence, 2016), who challenge the profit motive, Baden and Harwood (2013) make the case that moral underpinnings for CSR in SMEs need to be reclaimed. The fundamental moral foundations of CSR must therefore be understood once again since "if CSR loses its grounding in ethics, it becomes not just unimportant, but destructive" (p. 617). The role of personal values in this realm is even more significant, as it is evident that with the informality of CSR in SMEs, and the lack of profit motives instead of the presence of non-economic values, emanates more from the individual rather than business discourses.

### 2.3 Building hypothesis

Among the fundamental theories linked to CSR is Carroll's (1991) pyramid, which depicts the interaction between an organisation and the society, represented by a total of four responsibilities that companies need to meet to be socially responsible. The four responsibilities are arranged in a pyramid order, whereby the economic responsibility is at the bottom and represents the most significant pillar of the framework, followed by legal responsibility, ethical responsibility and, finally, philanthropic responsibility (see Figure 1).



Figure 1 Carroll's CSR pyramid (Carroll, 1991)

According to Carroll's (1991) pyramid, the economic responsibility, or the responsibility of a firm to generate profits, is essential for the survival of the business both as a means for reinvestment within the firm for attainment of growth, as well as for rewarding of shareholders and access to more equity capital. Nonetheless, it is also considered as valuable for other stakeholder groups including employees, suppliers, lenders, consumers, etc., indicating that the economic perspective is mutually beneficial for the business and for its stakeholders, which is why it is at the bottom of the pyramid. After satisfying the economic perspective, companies need to pay attention to the legal perspective, whereby businesses must adhere to laws and regulation, which is also required by the society. Nonetheless, the ethical and philanthropic responsibilities are not particularly required by society, however, they are expected to commit to ethical standards and reveal a good corporate image (Carroll, 1999). Although it represents a very comprehensive CSR framework that puts emphasis on profitability, Carroll's (1991) pyramid is also subjected to certain limitations including being



overly simplistic and undermining the importance of the ethical responsibility (Kang and Wood, 1995). Therefore, opponents of Carroll's (1991) pyramid state that in order to reach a maximisation of CSR's benefits, companies must consider the societal needs and base their projects on the needs of stakeholders.

Stakeholder theory, suggested by Freeman (1984), posits that a company's objectives could only be attained when the interests of different stakeholder groups are protected and balanced. As such, based on the theory, the company needs to serve the broader social interests of stakeholders, which are beyond the creation of economic value for the purpose of satisfying solely the needs of the shareholders (Harrison & Freeman, 1999). Furthermore, research demonstrates that stakeholder management is closely linked to organisational identity, which could be utilised as an argument as to why CSR might enhance engagement (Brickson, 2005). This could be explained by the individual need of oneself to be integrated as part of the group, which in turn, suggests that a part of identity is derived from the group as a whole and, therefore, employees' identity and engagement could be as a direct response to the organisational identity of a firm (Tajfel and Turner, 1985).

Consequently, it is hypothesised that CSR is not just about philanthropy (the discretionary element), but it needs to also consider employees and the local community which is particularly important for the business from a reputational perspective. The other key concepts considered are the antecedents of CSR performance, in terms of personal values (e.g. Agle et al., 1999) and organisational value, such as reputation and marketing advantages (e.g. Kotler and Lee, 2008) on one side, or productivity on the other side (e.g. Castelo Branco & Lima Rodrigues, (2006)). The key hypothesis of this work is that the outcome of CSR is more or less strategic, depending on the size of the business (Wickert et al., 2016).

The questions (in abridged form) used in the survey were mapped against these key facets of CSR theory as discussed above are shown in Table 1.

Concept	Literature	Questionnaire item (abridged questions)
CSR Practice	Carroll, 1991; Harrison and Freeman, 1999	Does your organisation currently engage in Corporate Social Responsibility (CSR) activity?
		Do you engage in Staff volunteering days?
		Do you engage with Voluntary giving through salary sacrifice?
		Do you engage with Corporate fundraising?
		Do you engage with One-off donations?
		Do you engage with Continued donations?
		Do you engage with your own charity/charitable activity?
		Do you provide Use of facilities to others?
		Do you offer in-kind support?
Organisational Values Productivity	Castelo Branco & Lima Rodrigues, 2006	Why? Staff development?
Organisational Values Marketing	Fassin & Tian, 2006; Kotler & Lee, 2008	Why? To support profile building of organisation?
Organisational Values Legitimacy	Lantos, G. P. (2001). The boundaries of strategic corporate social responsibility. Journal of consumer marketing.	Why? To develop links with the local community?
Personal values – Benevolence	Hemingway & Maclagan, 2004; Windsor, 2006	Why? Personal connection to a cause?
Personal values – Altruism		Why? Desire to give something back?
Outcomes	Wickert et al., 2016	How important is CSR to your organisation in achieving your strategic objectives on a scale of 1-10 (1 = not at all important, 10 = central)

Table 1 CSR questions mapped to CSR concepts. Source: Authors' own

### 3. Methodology

The aim of this research is to determine what (if any) CSR activities SMEs in the East Midlands region of the UK engage in, including the rationale behind such (non)engagement. The East Midlands area of the UK for this research comprises the cities of Derby, Nottingham and Leicester and their surrounding counties of Derbyshire, Nottinghamshire, and Leicestershire.

This represents a population of approximately 2.3 million people (ONS, 2018). There are 111,985 registered SMEs in the region, representing 99.56% of all registered businesses across the three counties (ONS, 2021).

To gain as representative a sample as feasible, the goal was to reach as many SMEs and large firms in this area as possible, hence a quantitative survey-based approach was deemed the most appropriate methodology. Whilst this does not enable a deep understanding of specific individual organisational characteristics or motivations, it can provide an insight into the current standpoint of organisations on key issues, such as CSR. This is enhanced when considering the same questions over an extended period of time (longitudinal study). These trends and initial insights can then be followed up as further research on a more one-to-one basis, such as through workshops and interviews.

The East Midlands Chamber of Commerce conducts an annual survey of its membership of 4,300 businesses, across the three counties. Whilst this survey was interrupted in 2019 by the covid-19 pandemic, this study covers the years 2017, 2018 and 2020. The annual survey covers a wide range of business topics, but only those questions relating to CSR were included in this research. Whilst this does not mitigate entirely against self-selection bias, in that only those who are interested in CSR would respond to a CSR questionnaire (Galant & Cadez, 2017), since this survey covers a wider range of topics, self-selection bias is reduced as respondents could answer it for their interest in other topics, not knowing there were CSR questions included. The questions within the survey relating to CSR are largely fixed or multiple choice (Likert style) responses.

The questions are designed to solicit the general opinion of the SME representative respondent (typically owner-managers or the most senior manager in the organisation) regarding their engagement in a range of SME topics. Whilst it is acknowledged that the term 'Corporate Social Responsibility' (CSR) is not commonly used in the practitioner community, the questions present more practical examples of what is included in CSR, such as volunteering, sponsoring etc. The focus was specifically on the social aspects of CSR, such as community and charity support. The topics, grouped into sub-themes, were:

CSR Staff:

- Staff volunteering

- Voluntary giving through salary sacrifice

#### CSR Charity:

- Corporate fundraising
- One-off donations
- Continued donations
- Own charity establishment

#### CSR Local Community:

- Use of facilities
- Offer of in-kind support
- Any other activity (respondent to complete)

The rationale for (non)engagement was recorded by offering several reasons why SMEs have/have not engaged in CSR. These ranged from:

- Staff development
- Desire to give something back
- Support profile building of organisation
- Developing links with local community
- Personal connection to a cause
- Other (respondent to complete).

Respondents were also asked about whether they believed that their CSR activities supported the achievement of their organisation' overall strategic objectives and whether they are intending to continue at their current level of support, increase, or decrease their engagement in the coming 12 months.

Demographic data was also collected, including the local authority location of the respondents, their primary business activity and their size denominated by number of employees. Data was collected from respondents and analysed to collate common themes across topics and demographics.

## 4. Findings and discussion

### 4.1 Demographic data

There were 277 respondents in 2017, 280 in 2018 and 421 in 2020. Table 2 shows the split by industry type (service versus manufacturing) as self-described by the respondents.

Industry/size	2017	%	2018	%	2020	%
<b>Manufacture</b>						
Micro	26	26.5%	18	18.9%	52	34.9%
Small	38	38.8%	33	34.7%	55	36.9%
Medium	28	28.6%	35	36.8%	38	25.5%
Large	6	6.1%	9	9.5%	4	2.7%
<b>Total Manufacture</b>	<b>98</b>	<b>100.0%</b>	<b>95</b>	<b>100.0%</b>	<b>149</b>	<b>100.0%</b>
<b>Service</b>						
Micro	80	44.7%	94	50.8%	171	62.9%
Small	52	29.1%	43	23.2%	65	23.9%
Medium	28	15.6%	31	16.8%	23	8.5%
Large	19	10.6%	17	9.2%	13	4.8%
<b>Total Service</b>	<b>179</b>	<b>100.0%</b>	<b>185</b>	<b>100.0%</b>	<b>272</b>	<b>100.0%</b>
<b>Total</b>	<b>277</b>		<b>280</b>		<b>421</b>	

Table 2: Demographic data (all years) by size and sector

There are approximately twice as many service firms as manufacturers in the sample each year. As well as a general increase in respondents over the four years, the split in size of respondent firms has changed as can be seen from Figure 2, with a rise from 38% micro-sized firms in the sample from 2017 to 53% in 2020. The proportion of small firms has remained relatively similar across the three years, but the proportion of medium and large firms have both fallen. Hence this study has a particularly strong focus on the micro and small end of firm sizes within the SME sector.

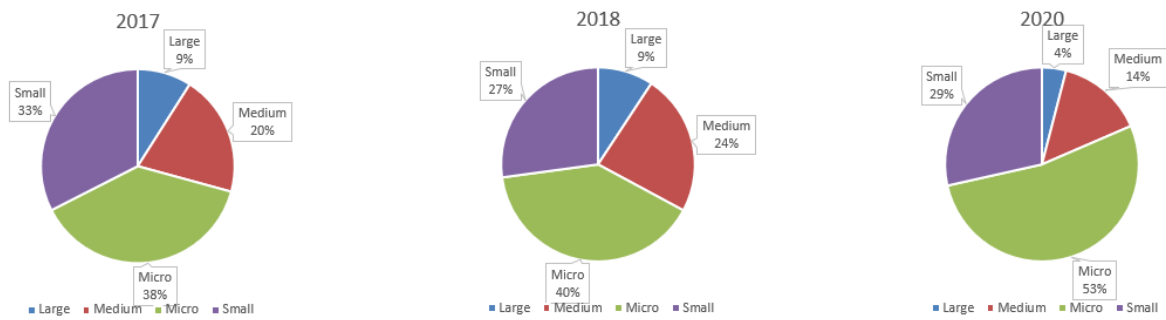


Figure 2: Respondents by firm size 2017-2020

#### 4.2 Engagement in CSR

Over the four-year period, the overall engagement in CSR has increased from 59.93% engagement across the four firm size categories in 2017 to 65.56% in 2020, despite the impact of the Covid 19 pandemic in 2019/2020. Across the individual categories, whilst in 2017 all large firms engaged in CSR, 5% of the large firm respondents in the 2020 survey were not engaged actively in CSR. At the small end of the firm scale, in 2017, 58% of micro-sized firms were not engaging in CSR, but by 2020, that had fallen to 40%, an indication that despite the growth in respondents, even micro sized firms are taking CSR activities into account in their business, despite the pandemic. These findings support the literature which suggests that large firms are in general highly engaged in CSR due to their visibility (Tanggamani et al., 2018), but also indicates, that whilst smaller firms do not universally engage with CSR, there are nonetheless a significant number of them that do (Perrini et al., 2007; Sánchez & Benito-Hernández, 2015). Figure 3 to Figure 5 show the gradual increase in activity levels over the four-year period based on firm size:

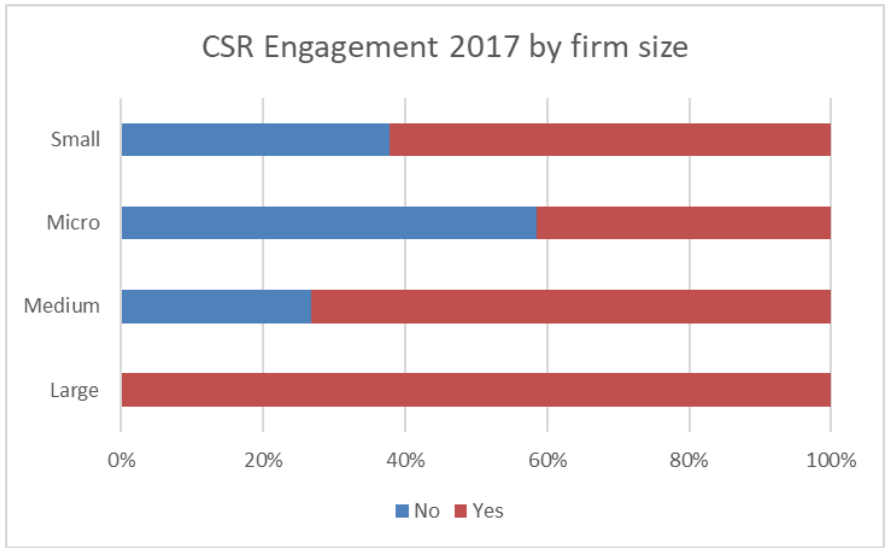


Figure 3 CSR Engagement by firm size 2017

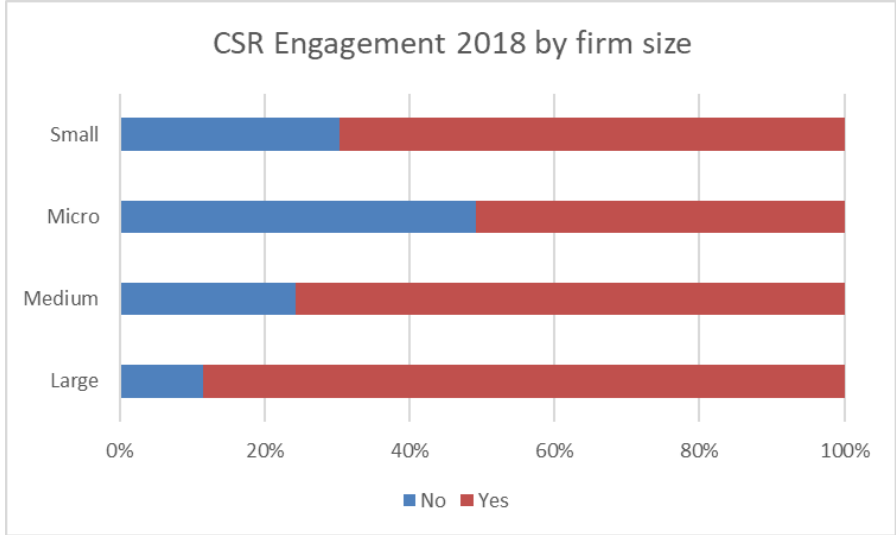


Figure 4 CSR Engagement by firm size 2018

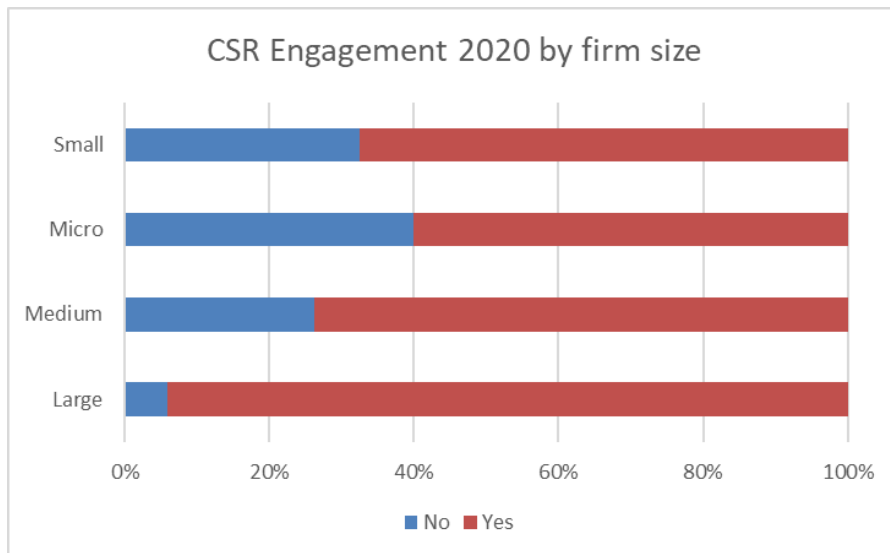


Figure 5 CSR engagement by firm size 2020

Although the CSR related questions were in a wider survey, there could still be some self-selection bias in the figures, in that firms engaged in organisations such as the local Chamber of Commerce are intrinsically more likely to engage in their wider environment, there is still good evidence to suggest that many SMEs, particularly at the lower end of the size scale, are engaging with CSR activities in the social arena.

#### 4.3 Non-engagement with CSR

On examining the reasons why firms do not engage in CSR (as shown in Figure 6 to Figure 8 , the prevailing reason across the four-year time span is 'Not enough resource' particularly among the micro and small-sized firms. Further research would be needed to evaluate this in more depth, to determine whether the lack of resource was time, money, personnel, knowledge, or other resource constraint. Although one of the other reasons for non-engagement is 'Too busy,' this has fallen in relative terms, given the increased sample size between 2017 and 2020. This may suggest that although management time remains an issue for some, others have found lack of other resources to be the greater impediment to engagement. Indeed, this study does affirm prior results regarding the resource constraints of SMEs to engage in CSR (Baden et al., 2009; Preuss & Perschke, 2010), but despite this, greater numbers of SMEs actually do engage than do not, therefore the ones that do clearly find the resource necessary to engage, irrespective of their firm size. This is an area where benchmarking amongst firms could be useful to create awareness and share best practice around the best ways in which to engage.



Interestingly, lack of awareness of how to engage in CSR has fallen over the four-year period, possibly due to the increased visibility CSR issues now have in the public, as well as corporate consciousness. The number of respondents stating that they have not considered CSR has also fallen proportionally over time. However, there has been a slight absolute increase (but proportional decrease (compared to the increase in respondents)) around not engaging because it is 'not the right time' for the organisation. As an absolute measure, it was falling between 2017 and 2018, but notwithstanding the increased number of respondents, timing may be an issue in the 2020 survey as this was conducted after the main impacts of the Covid-19 pandemic, which may well have influenced responses, as many firms, though supportive of CSR, may have had to focus on more business-critical activities post-pandemic.

Another key observation from findings is around the perception of the relevance of CSR activities to the firm's strategic plan. In 2017, 19 of 277 respondents (approximately 6.7% of firms) did not regard CSR as key to the achievement of their strategic objectives. This was most often cited as a reason for micro-sized businesses. In 2018, the lack of perceived importance of CSR to firm strategy fell to 6.7% of firms (16 out of 280 respondents), and in 2020 it decreased further to approximately 3.3% (14 out of 421 respondents). Where this view is held, it is consistent within the micro-sized firms, indicating that they do not perceive CSR as a potential activity to support their wider strategic aims, unlike larger businesses (Upadhaya et al., 2018). This may well be because micro-sized firms are more likely to engage in CSR for altruistic reasons, rather than strategic ones (Baden et al., 2009).

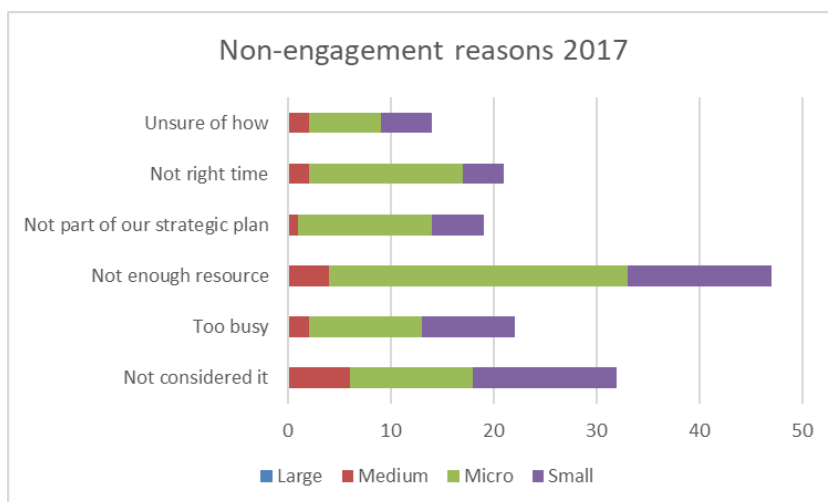


Figure 6 Non-engagement reasons 2017

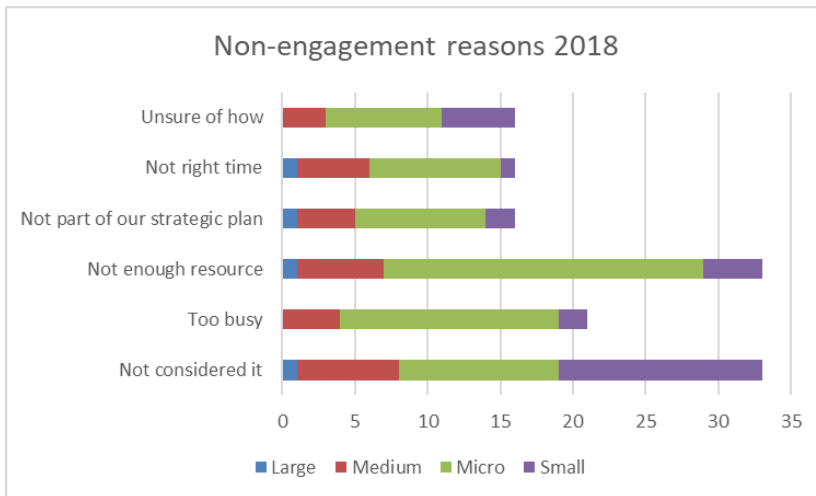


Figure 7 Non-engagement reasons 2018

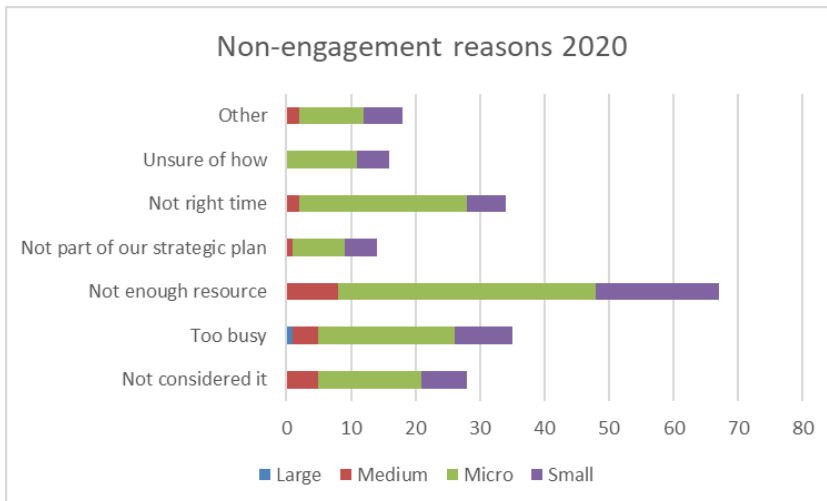


Figure 8 Non-engagement reasons 2020

This perception of CSR as a key strategic tool was followed up by an additional question specifically asking how important respondents felt CSR was in supporting their firm’s strategic objectives on a scale of 1-10 (1 = not at all important, 10 = central to achieving strategic objectives). The results of the average scores are presented in Table 3:

Firm size	2017	2018	2020
Large	7.88	7.09	7.86
Medium	4.96	6.54	5.63
Micro	4.53	4.77	5.22
Small	4.82	5.52	5.00
Total (average all sizes)	5.08	5.64	5.32

Table 3 Importance of CSR to strategic aims 1=not important, 10=very important

This data supports previous findings regarding the perceptions of larger firms of CSR as more strategic, in comparison with micro-sized firms, although there does appear to be a growing appreciation of CSR as a strategic tool across the smaller businesses across the four-year period.

#### 4.3 CSR motivations

The motivations for firms getting involved in CSR activities are shown in Figure 9 to Figure 11. The more common reasons for engagement are altruism and willingness to build social capital of the organisation (links to social community). Beyond these “desirable answers,” businesses mentioned profile building (more common in medium businesses), while staff development is slightly more prominent in large businesses. Micro/small businesses stated the personal link with a cause as an important reason, showing how in these groups CSR reflects the informality of the managers, rather than a strategic outlook. These values are similar across the 4-year period.

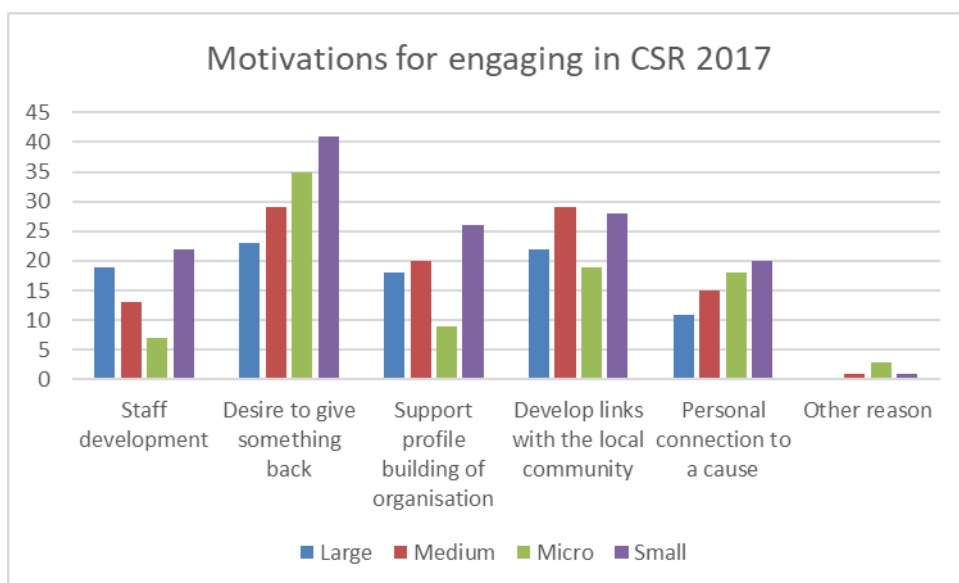


Figure 9 CSR motivations 2017

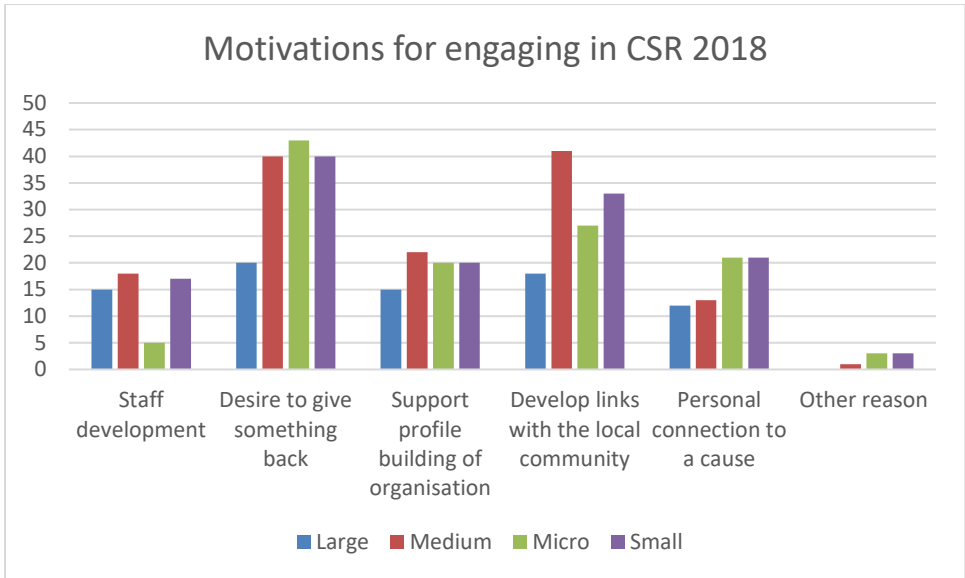


Figure 10 CSR motivations 2018

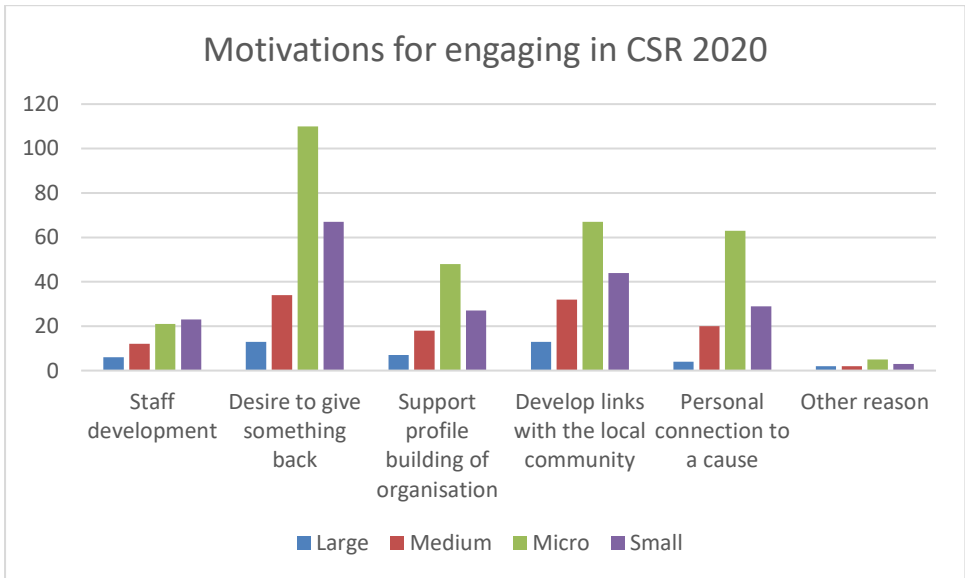


Figure 11 CSR motivations 2020

#### 4.4 CSR type of activity

The types of activities which firms are involved in are shown in Figure 12 to Figure 14.



Figure 12 CSR activities by firm size 2017

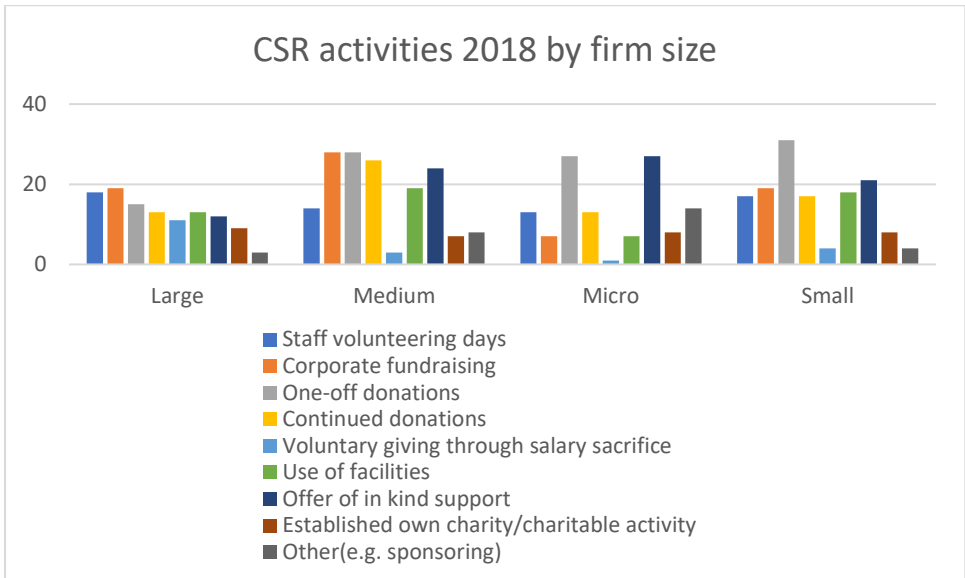


Figure 13 CSR activities by firm size 2018



Figure 14 CSR activities by firm size 2020

### Engagement type – Aggregation

To simplify the analysis on type of activities in which businesses engaged with, the aggregations into staff, locality and charity groupings as set out in Table 1 were proposed, which highlight that while most businesses are engaged in some sort of charities, micro businesses distinguish themselves in focusing on the locality, while large businesses are more engaged with staff-related actions.

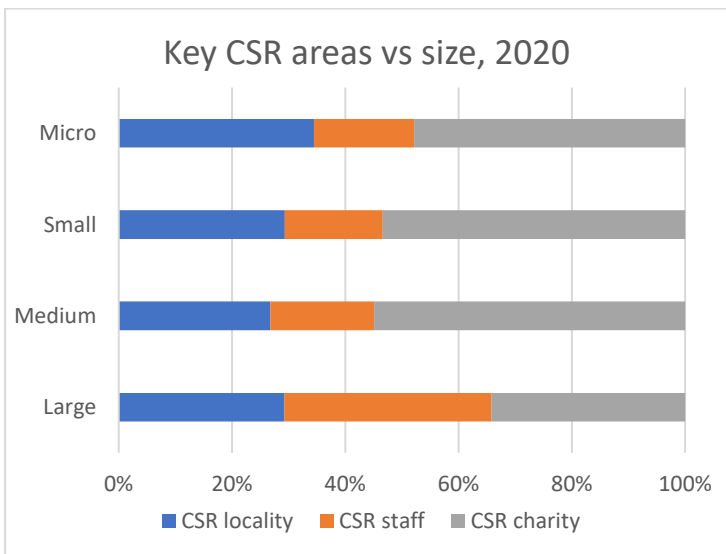


Figure 15 Key CSR areas by firm size 2020

#### 4.6 Engagement (aggregated) and Strategy over the 3 years.

The regression of strategy against the types of CSR is significant, but only for CSR Staff and CSR locality. In general, larger companies have a significantly higher strategic outlook on CSR (while micro/small are more personal in approach)(see Figure 16). Another graph (not shown here) highlighted that it is companies with a more strategic outlook on CSR that are planning to invest more in it over the next 12 months.

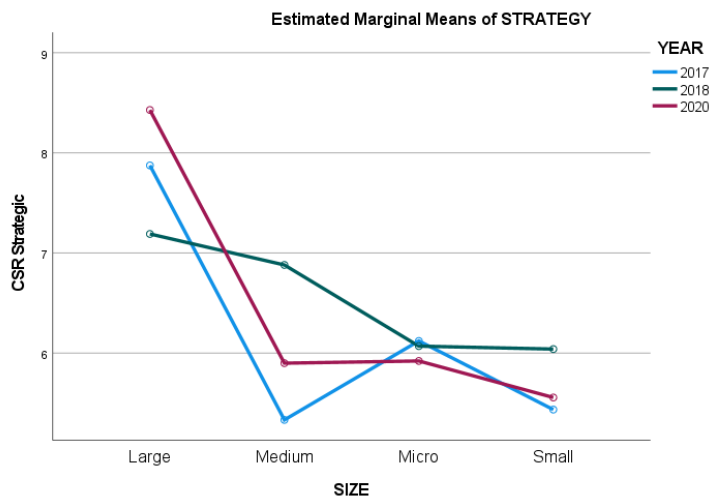


Figure 16 Estimated marginal means of Strategy by firm size

## 5. Theoretical Contribution and Conclusion

This article sought to investigate the CSR initiatives across a number of businesses of various sizes, to contribute to the debate of whether CSR can be strategic or not for SMEs as well. By doing this, this study contributes, in a number of important ways, to theory and practice.

This paper confirms much of the previous research, in highlighting how micro and small businesses demonstrate a much lower CSR engagement compared to the larger businesses (e.g. Wickert et al., (2016)). This study has consistently shown this outcome over a sustained number of years. Such a result is significant; the difference due to sector is instead non-significant, which is an important contribution to knowledge as seldom there are longitudinal studies across various industries.

Similarly, in the debate whether the normative or instrumental approaches to CSR are more significant, this paper showed that both approaches are relevant, although organisational

values drive larger companies in preference to personal values, which is perhaps expected given their size. Despite that, there is always a personal link to CSR, however this paper calls for further research on PV influence on CSR, as there have been fewer studies in this area compared to instrumental influences (Gond et al., 2017; Gond & Moser, 2021).

The information regarding the type of CSR activities the business engages with versus the perception of strategic CSR, gives a clear picture about the significance of the activity. It is the larger businesses, which are equally involved in community and philanthropy, as well as employee CSR, that consistently consider CSR as strategic; this adds knowledge to CSR theory in confirming that the business case of CSR is predominant in large businesses compared to smaller businesses (Perrini et al., 2007). These findings nevertheless add to the CSR in SMEs literature by providing a richer picture on how smaller businesses can make CSR more strategic; it is the commitment to employees, particularly around getting them on board with CSR, which transforms the activity into a more strategic endeavour (Lantos, 2001).

Furthermore, from a policy perspective, this work helps in a number of ways. Firstly, through the longitudinal study, a significant relationship between CSR engagement and strategic CSR was found, therefore demonstrating that the more CSR is practiced, and the business becomes familiar with CSR, the more it can achieve. This makes the case for a clear pathway to CSR activity for businesses that are just starting their CSR journey. This paper further adds to policy in showing how support for small businesses in learning about CSR is significant. The East Midlands chamber has been very proactive in disseminating CSR knowledge through events and holding the recurrent CSR survey. The effect of this was evidenced in the increased level of CSR awareness over the years covered by the longitudinal study.

### 5.1 Limitations / future research

This study has several limitations but has also paved the way for further research: first, our definition of CSR activities only captures some aspects of CSR activities, in relation to the community, the workforce, and philanthropy. Conversely, other recent studies include broader aspects such as marketplace, the environment, and human rights (see for example, Stoian & Gilman, (2017)). We recommend future research to consider these further aspects. Another limitation to the generalisability of the findings is the sample size. Purposive sampling



allowed a reasonable number of participants to be selected for the methodological approach used; nevertheless, the sample size might not be considered representative. The examined companies were selected because they were part of the East Midlands region and therefore self-selection bias was inevitable. It should be noted, though, that the goal was what Yin (2013) calls the 'theoretical generalisability' of the research findings.

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