Strategic CSR and Value Creation within Small and Medium U.S. Enterprises

Christopher Allen Noe

Lynn University

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Strategic CSR and Value Creation
within Small and Medium U.S. Enterprises

Dissertation
Presented in Partial Fulfillment of the Requirements for the Degree of
Doctor of Philosophy
Lynn University

By
Christopher Allen Noe

2014
Strategic CSR and Value Creation
within Small and Medium U.S. Enterprises

Noe, Christopher, Ph.D.
Lynn University, 2014

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ACKNOWLEDGEMENTS

As we express our gratitude, we must never forget that the highest appreciation
is not to utter words, but to live by them.
- John F. Kennedy

This dissertation would not be complete without crediting all the people who helped me throughout this arduous process. I am indebted to the business owners and managers who took time from their busy lives to complete and respond to my survey, and without whom, none of this research and data analyses would be possible.

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I thank God for His unwavering support in my life. I dedicate this work to my mother, Carolyn Burke Whitaker, as this study would not have been possible without the support, patience, and fierce determination she possessed to teach, train, and shape me into the man I am today. I would be remiss if I did not thank Bill French, a strong figure in my life, who has always been a source of support and encouragement. Finally, a fond thank you to a very special dog, Bono, for his patience and to all who offered support along this academic journey as I could not have done it without you.
ABSTRACT

Small and medium size enterprises (SMEs) have become increasingly more important in the United States, Europe, and globally, due to their growing numbers and economic impact (Jenkins, 2004). Currently small businesses create two-thirds of the net new jobs annually, comprise over 23 million firms, account for over half of all U.S. sales, employ more than half of the private-sector workforce, and generate nearly 50 percent of annual U.S. GDP (Small Business Administration, Introduction Section, para. 1).

Corporate Social Responsibility (CSR) has been an evolving construct since the latter half of the 20th century and has often been cited as a source of competitive advantage and firm sustainability. Although studies have shown a connection between strategic CSR and long-term economic benefit, researchers have struggled to show a direct link between strategic CSR and firm financial performance. Burke and Logsdon (1996) developed a model linking strategic CSR to firm economic value creation. Though this model has been empirically tested on multi-national enterprises (MNEs) and SMEs, there are few studies of U.S.-based SMEs.

The purpose of this quantitative, explanatory, correlational and non-experimental research study was to examine the relationship between five business strategy components central to an effective CSR strategy (centrality, specificity, proactivity, visibility, and voluntarism) and SME economic value creation (profit and value creation). Senior management from small and medium size enterprises throughout the U.S. were invited to participate in this study. There were over 100 respondents to the online survey, the majority of who were concentrated in the Southeastern United States.
Results from this study showed that each of the five CSR strategies had a significant effect on both profit and value creation, with the exception of visibility which did not have a significant effect on profit. This suggests that SME managers did not see a direct link between visibility in the news media and profit. When all five strategies were integrated, results indicated that visibility and voluntarism had a significant effect on value creation and specificity had a significant effect on profit.
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CHAPTER I
INTRODUCTION

Background to the Problem

Corporate social responsibility (CSR) is a self-regulating integrated business model that is also known as corporate conscience, corporate citizenship, social performance, or sustainable responsible business (Wood, 1991). Formal writing on social responsibility began in the 1930s and 40s with Fortune magazine polls asking businessmen about their social responsibilities, and culminating with the 1953 publication of Bowen’s *Social Responsibilities of the Businessman* (Bowen, 1953; Carroll, 1999). Definitions expanded during the 1960s and began to proliferate in the 1970s, followed by years of debate over CSR’s meaning, purpose, and relationship to profits (Carroll, 1999; Garriga & Mele, 2004).

In the 1990s, CSR began to be defined by terms such as corporate social performance (CSP), stakeholder theory, and business ethics theory (Porter & Kramer, 2006; Bhattacharya, Korschun, & Sen, 2009; Jenkins, 2009; Jamali, 2008). Drawing on an impressive history associated with the evolving definition and conceptualization of corporate social responsibility, Carroll (1999) established a framework for its evolution and asserted that evidence of the business community’s concern for society has existed for centuries.

Toward the end of the 20th century, business came under increasing pressure to engage demonstrably in socially responsible methods which evidence what is described as corporate social responsibility (Jenkins, 2004). In more recent years, scholars and managers have focused more on the strategic implications of CSR in organizations.
The meaning of CSR may now also refer to activities which appear to advance a social agenda beyond that which is required by law (Siegel & Vitaliano, 2007). The definition may also include “responsible business practices related to sustainable economic growth and prosperity, social cohesion and equity, and environmental integrity and protection” (Torugsa et al. 2012, p. 383).

Empirical research in the area of CSR and value-added return and financial results from such investment has been mixed (Carroll, 1999). Since the 1990s, there has been much data collected about CSR, and there have been great improvements in theory, research design, and data collection methods, all of which have yielded more empirical research with more consistent results (Husted & Allen, 2009; Griffin & Mahon, 1997; Margolis & Walsh, 2001). A meta-analysis of more than 50 studies found that positive relationships can be expected from CSR initiatives (Orlitzky, Schmidt, & Rynes, 2003). Burke and Logsdon (1996) developed a model linking CSR specific strategies (centrality, specificity, proactivity, visibility, and voluntarism) to economic value creation. This model was tested on MNEs in Mexico by (Husted & Allen 2009). Similarly, Torugsa et al. (2012) tested their proactive CSR model about the impact of economic, social, and environmental capabilities on value creation. Despite the significant presence of SMEs in the U.S., there is a shortage of literature dedicated to the study of CSR and SME economic value creation.

**Purpose of the Study**

The general purpose of this non-experimental correlational study was to investigate the impact of CSR on SME economic value creation. Particularly, the
research question asks whether CSR, embraced as an integrated business strategy within small and medium size enterprises in the United States, leads to increased economic value creation.

The specific purposes of this exploratory and explanatory study involved the use of simple and multiple regression analyses to examine the following:

1. Evidence of a relationship between each of the CSR strategies (centrality, specificity, proactivity, visibility, and voluntarism) and economic value creation.
2. Evidence of a relationship between the integration of the five CSR strategies (centrality, specificity, proactivity, visibility, and voluntarism) and economic value creation.

Definition of Terms

Theoretical definitions of the variables and key terms found in this study are based on commonly used meanings from business management research studies and theoretical literature reviewed during the development of this study. Operational definitions of variables include the methods by which they have been operationalized in past research as well as the specific means by which they are observed and measured in this study (Best & Kahn, 2003).

Strategic Corporate Social Responsibility

Theoretical definition. Burke and Logsdon (1996) define Strategic CSR as when the CSR policy, program, or process, yields substantial business-related benefits to the firm. Several iterations and definitions of CSR have been proposed, and often no clear definition is given, making theoretical development and measurement difficult.
Frankental (2001) stated that “CSR is a vague and intangible term, which can mean anything to anybody, and therefore is effectively without meaning” (p. 20). Torugsa et al., (2012) posited that CSR is a pattern of business practices adopted by the firm that serves to address sustainable economic, social, and environmental development at a level that exceeds government requirements. The European Commission defined CSR as a fundamental concept whereby companies integrate social and environmental concerns into their business operations and in their interactions with their stakeholders on a purely voluntary basis (Commission of the European Communities, 2011, p. 3). Burke and Logsdon (1996) linked strategy to CSR by linking their corporate social responsibility dimensions to corporate strategies identified in earlier research as goals and objectives, competitive advantage, planning, process, and pattern. 

**Operational definition.** Siegel and Vitaliano (2007) define CSR as when firms engage in actions that advance a societal agenda beyond that which is required by law. Other CSR empirical literature used measures of social performance such as an external reputational index, content analysis or corporate annual reports, or peer ratings correlated with various measures of company economic performance (Burke and Logsdon, 1996). Burke and Logsdon (1996) proposed a Strategic CSR model comprised of five dimensions of corporate strategy within the firm’s Strategic CSR policies which serve as indicators of socially responsible behavior: centrality, specificity, proactivity, voluntarism, and visibility. Husted and Allen (2009) developed the Corporate Social Strategy Survey to operationalize Burke and Logsdon’s proposed constructs as a way to measure the degree to which CSR acted as a driver of value creation among MNEs in Mexico.
Centrality

**Theoretical definition.** *Centrality* is a measure of fit between a CSR policy or program and the firm’s primary business mission and objectives. This “closeness of fit” indicates the level of CSR efforts relative to its business operations (Burke and Logsdon, 1996, p. 496).

**Operational definition.** In this study, the nine *Centrality* items developed by Husted and Allen (2009) were used to measure the degree to which SME respondents believed their firm’s CSR strategy was central to their firm’s business mission. Centrality objectives measured included public relations efforts, community and other stakeholder collaborations, environmental and social causes, and non-profit involvement.

Specificity

**Theoretical definition.** Burke and Logsdon (1996) define specificity as the “firm’s ability to capture or internalize the benefits of a CSR programme, rather than simply creating collective goods which can be shared by others in the industry, community, or society at large” (p. 496). Burke and Logsdon (1996) proposed that a company’s ability to internalize highly specific benefits can yield *value creation* to the firm.

**Operational definition.** In this study, the eight *Specificity* items developed by Husted and Allen (2009) were used to measure the degree to which SME respondents believed activities related to their firm’s CSR strategy yielded specific benefits to their firm’s internal business operations. *Specificity* objectives measured included improving employee commitment and training, creating employment, and participative decision making.
Proactivity

Theoretical Definition. Proactivity can be defined as the “degree to which behavior is planned in anticipation of emerging economic, technological, social or political trends and in the absence of crisis conditions,” (Burke and Logsdon, 1996, p. 498).

Operational definition. In this study, the 15 Proactivity items developed by Husted and Allen (2009) were used to measure the degree to which SME respondents believed their firm’s CSR strategy was proactive in its internal and external CSR efforts. Proactivity objectives measured centered around activities related to employees, social involvement, and environmental awareness.

Visibility

Theoretical definition. Visibility refers to both the “observability of a business activity and the firm’s ability to realize recognition from internal and external stakeholders,” (Burke and Logsdon, 1996, p. 499) and may have both positive and negative consequences for the firm.

Operational definition. In this study, the three Visibility items developed by Husted and Allen (2009) were used to measure the degree to which SME respondents believed their firm’s CSR strategy was visible to their firm’s internal and external stakeholders. Visibility objectives measured were related to public image, increased presence, and effective communication.

Voluntarism

Theoretical definition. Voluntarism is related to the “scope of discretionary decision-making by the firm and the absence of externally imposed compliance
requirements” (Burke and Logsdon, 1996, p. 498). Voluntarism is closely associated with proactivity, in that it presumes the absence of regulations and mandates (Burke & Logsdon, 1996).

**Operational definition.** In this study, the three *Voluntarism* items developed by Husted and Allen (2009) were used to measure the degree to which SME respondents believed their firm’s CSR strategy was discretionary and free from regulation and mandates. Voluntarism objectives measured were related to legal, regulatory, and standard business practices.

**Economic Value Creation**

**Theoretical definition.** *Economic Value Creation*, within the context of CSR, has been defined as “identifiable, measurable economic benefits that the firm expects to receive” (Burke & Logsdon, 1996, p. 497). Economic value is created when consumers are willing to pay more for a product or service than its production cost (Husted and Allen, 2009).

**Value creation.** Value creation occurs by mixing firm resources in alternative ways with the goal of leveraging potential productivity (Moran & Ghosal, 1999). As it relates to strategic CSR, value is created by responding to customer demand for new product development, while lowering costs and improving efficiency (Torugsa et al., 2012).

**Profit.** One of the major goals of any business entity is profitability (Needles, Powers, & Crosson, 2005). From a purely accounting perspective, profit is defined as the firm’s net income, or the net increase in stockholders’ equity resulting from business operations (Needles, Powers, & Crosson, 2005). According to Mulyadi and Anwar
(2012), profit is the most critical purpose of any business enterprise; they assert that profits can be increased by reducing operational inefficiencies and by using raw materials with greater efficacy.

**Operational definition.** Husted and Allen (2009) tested for economic value creation by surveying firms and asking the extent to which the firm realized economic benefits in areas such as the following: (a) how the purchasing decisions of the firm’s customers are influenced by their CSR projects, (b) their ability to attract new customers, (c) develop new products, and (d) open up new markets. They tested this empirically in 2009 by measuring to what extent firm owners believed CSR programs led to new product or service innovations, new markets, and customer loyalty, as well as stakeholder collaboration.

**Value creation.** In this study, the six Value Creation items developed by Husted and Allen (2009) were used to measure the degree to which SME respondents believed their firms CSR strategies yielded value to the firm.

**Profit.** In this study, the three Profit items developed by Husted and Allen (2009) were used to measure the degree to which SME respondents believed their firms CSR strategies yielded short and long-term profits to the firm and controlled for costs.

**Small and Medium Business Enterprises (SMEs)**

The Small Business Administration (2013) defines a small business as one that is “independently owned and operated, is organized for profit, and is not dominant in its field” (Small Business Administration, 2013, What is SBA’s definition, para. 1). Size and sales volume eligibility differs by industry. For example, within the wholesale industry, the range is from 100 to 500 employees, while in manufacturing, the range is
500 to 1500 employees. In the services sector, a small business is defined as having annual receipts between $2.5 and $21.5 million, while for retail, receipts range between $5.0 to $21 million. In general and heavy construction, receipts range from $13.5 to $17 million, while in special trade construction; a small business is defined as having receipts up to $7 million. In the agriculture sector, sales receipts range from $5 to 9 million (Small Business Administration, 2013, What is SBA’s definition, para. 1).

The business characteristics cited above are how small business firms in the United States are gauged for many purposes such as regulation and taxation purposes. The World Bank defines SMEs as any firm with 300 or fewer employees with total annual revenues less than $15 million (Gibson & van der Vaart, 2008, p. 5). The United Nations Development Programme defines SMEs as any firm with 200 or fewer employees (p. 5). Industry Canada applies the following metrics and definitions for an SME in their empirical research as any business enterprise with 0 to 499 employees and less than $50 million in gross revenues (Industry Canada, Key Small Business Statistics, 2013, Introduction section, para. 1). For purposes of this study, the operational definition of an eligible SME is the following: any for-profit business enterprise registered in the United States that has 500 employees or less and $50 million in total annual revenue.

Justification for the Study

It is estimated that more than 95.0% of the world’s enterprises are SMEs and that they account for approximately 60.0% of private sector employment (Ayyagari, Demirguc-Kunt, & Maksimovic, 2011). Given the significant scale of small business in nearly every economy, SMEs aggregate achievements have a major effect worldwide
According to Ayyagari et al. (2007), SMEs on average contribute as much as 50% of the GDP in high-income countries.

CSR has traditionally been associated with large companies, but recognition of the growing scale of the SME sector (Fuller, 2003) has led to a greater emphasis on their social and environmental impact. There is evidence to suggest that large MNEs are able to connect CSR to yielding high returns in competitive advantage and sustainability (Porter & Kramer, 2006), but there is a shortage of similar research related to SMEs within the U.S. This study allowed for the linkage to be drawn and measured for similar outcomes. There was also emerging evidence that SMEs can gain in competitiveness as Porter posited but to improve an SME’s competitiveness, management systems that meet global standards must be put in place (Porter & Kramer, 2002). Moreover, integrating and developing a CSR agenda may not be a business threat and cost burden to SMEs; rather, it could provide significant scope for competitive advantage (Tilley, Hooper, & Walley, 2003). According to Painter-Morland and Spence (2009), “the special focus on SMEs by the World Bank, the Organization for Economic Co-operation and Development, and the United Nations is testament to the critical importance associated with a thriving SME economy” (p. 1).

This study may improve future research by providing a tested model about the relationship between effective CSR strategies and economic value creation for SMEs, not just in the U.S. but also globally. The results of this study may help SMEs increase financial performance and become more socially engaged within their communities, thereby helping rewrite not only their economic narratives but also their social narratives. Hence, for those SMEs applying several of these elements as part of a more sophisticated
CSR strategy, the long-term value added to the firm will be enhanced economic value and specifically, a more loyal clientele, new markets, differentiated product lines, and more overall perceived visibility by the local consumer and community stakeholder.

The study was feasible because it could be implemented in a reasonable amount of time, and the number of subjects was sufficient for the analyses. To expedite data collection and minimize costs, the survey was professionally-administered online using SurveyMonkey.com. The cost of an Internet-based survey instrument is considerably less than the cost of mailing surveys and providing return envelopes, and the online survey process is less time-consuming than the paper-based survey process. This study was able to be researched because the problem was definable and all the variables were measurable. The online data allowed for transfer to SPSS for effective analyses and quicker outputs for the results matched to each of the hypotheses.

**Delimitations and Scope**

The study was limited to SME owners and managers selected by convenience sampling from nine regions in the United States. An estimated 6,000 SME owners and managers were sent the survey questionnaire link and invited to complete a survey as part of this national study. The target population was limited to adults age 18 years and older who worked in key areas of management within each respective SME and who were all able to speak, read, and write English.

The period of data collection was limited to two months. The criteria to qualify as an SME were based on having 500 or fewer employees and total annual revenue of less than $50 million. Data analyzed included SME owners’ and managers’ perceptions of how being socially engaged and involved in their communities might have created
economic value for their firms. This quantitative, explanatory, correlational, and non-experimental electronic survey yielded results for 108 respondents.

Chapter I provided an introduction to corporate social responsibility and economic value creation in SMEs, outlined the purpose of the study, provided definitions for the dependent variable (economic value) and independent variables (centrality, specificity, proactivity, voluntarism, and visibility), as well as the delimitations and scope.

Chapter II offers a review of the literature and theoretical framework as it relates to strategic CSR and economic value creation. The major gaps in the literature consist of 1) a limited number of empirical studies within the U.S., 2) the examination of community and social engagement as a strategy by SMEs for economic value creation, and 3) a limited number of empirical studies globally addressing Strategic CSR as a value creator for SMEs. The research question, six hypotheses, and the hypothesized model are also presented in Chapter II.
CHAPTER II
LITERATURE REVIEW

Corporate Social Responsibility

Over the last half century, numerous theories have emerged on the topic of CSR (McWilliams, Siegel, & Wright, 2005). In 1953, Bowen (1953) wrote a seminal book, *Social Responsibilities of the Businessman*, and what followed was a shift in terminology from the social responsibility of business to CSR (Garriga & Mele, 2004), and a merger of ideas, concepts, and theories related to CSR (2004). In fact, Votaw wrote over forty years ago:

“Corporate social responsibility means something, but not always the same thing to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in the ethical sense; to still others, the meaning transmitted is that of ‘responsible for’ in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for legitimacy in the context of belonging or being proper or valid; a few see a sort of fiduciary duty imposing higher standards of behavior on businessmen than on citizens at large” (1972, p. 11).

Levitt (1958) posited that “government’s job is not business, and business’ job is not government” (p. 47). Friedman (1970) expressed similar sentiment by adding to the debate that CSR was a “socialist” view where political mechanisms and not market mechanisms were seen as the way to determine the allocation of scarce resources to
remedy social ills (para. 15). Moreover, Friedman (1970) expressed that CSR is an executive perk in the sense that managers use CSR to advance their personal agendas (para. 14). While many definitions were expanded in the 1960s and proliferated in the 1970s, it was in the 1980s that empirical research led to alternative themes such as corporate social performance (CSP), stakeholder theory, and business ethics theory. In the 1990s, CSR continued to serve as a core construct, but it was transformed into an emerging framework (Carroll, 1991, p. 40). This new theoretical framework held to the original four CSR pillars of economic, legal, ethical, and philanthropic business concerns of the firm (Carroll, 1991, p. 40) and stated that the CSR firm should “strive to make a profit, obey the law, be ethical, and be a good corporate citizen” (Carroll, 1991, p. 43). Carroll (1991) transitions from CSR to stakeholder theory noting, “There is a natural fit between the idea of corporate social responsibility and an organization’s stakeholders” (p. 43). Carroll argued beyond Freeman’s (1984) original stakeholder theoretical model, suggesting, “the stakeholder concept personalizes social or societal responsibilities by delineating the specific groups or persons business should consider in its CSR orientation and activities” (Carroll, 1991, p. 43).

The discussion of CSR and its role is still being shaped (Garriga & Mele, 2004). Caroll (1994) characterized the situation as “an eclectic field with loose boundaries, multiple memberships, and differing training/perspectives; broadly rather than focused, multidisciplinary; wide breadth; brings in a wider range of literature; and interdisciplinary” (p. 14). Carroll (1994) later added that overall, the field is quite poor (p. 14). This seems to stem from the overall complete picture of agreed upon defined concepts and a lack of empirical data affirming strong support of CSR as adding direct
economic value. According to McWilliams et al. (2005), CSR has also been confused with corporate social performance and corporate citizenship. These authors declare that as a result of lack of consistency in the use of the term CSR, it becomes difficult to compare results across studies. McWilliams et al. (2005) also asserted that having a good working definition of CSR could lead to better outcomes in research as to motivations for CSR implementation and the role of management and leadership in such decision making in the application of CSR as a strategy for competitive advantage. As various CSR theories emerged, many theoretical frameworks have developed as strategic tools for managers.

**Strategic CSR**

McWilliams et al. (2005) addressed the need to also look at CSR as adding economic value to the enterprise. Such an example is when a firm links the provision of a public good to the sale of their (private) products (e.g. eco-labeling) (2005). They cite a study by Bagnoli and Watts (2003), who find that propensity of firms to engage in strategic CSR, depends on two factors: the intensity of competition in the market and the extent to which consumers are willing to pay a premium for social responsibility (as cited in McWilliams et al., 2005). Bagnoli and Watts (2003) concluded that there is a proportionate and an inverse relationship between the degree of industry competition and level of CSR efforts. Thus, in more competitive markets, there is often less public goodwill through strategic CSR (McWilliams et al., 2005).

McWilliams et al. (2005) offer that the rationale is based on lower profit margins set by the firm in a highly competitive market place as the enterprise will likely have less ability to provide additional (social) attributes or activity. The reverse is true as less
competition leads to the potential for higher margins and more ability to provide social value (McWilliams et al., 2005), raising the question of, whether firms “do well by doing good.” (p. 15). Here, it seems that in order for this to be determined, there must be a connection between firm performance and social performance, and this paper examined this relationship between the smaller firm enterprises and value creation. One key way to determine this relationship was to examine key stakeholders.

There have been several theories offered in the name of CSR as a strategy of the firm for value creation or for moral decision making. Theories applied to CSR include institutional theory and classical economic theory Jones (1995), while others include strategic leadership theory to CSR (Waldman, Siegel, and Javidan, 2005). Baron (2001) stipulates that the use of CSR to capture value is referred to as strategic CSR. According to Lepoutre and Heene (2006), small business social responsibility (SBSR hereafter), is governed by some alternatively proposed theoretical concepts. The basis for their research of SBSR revolves around four key small business behavior components: 1) issue, 2) persona, 3) organizational, and 4) contact characteristics (2006). Lepoutre and Heene (2006) offer definitions for each of these four constructs along with empirical support for their proposed theoretical framework. In this case, issue characteristics refer to the situation or the matter of concern to SBSR. Personal characteristics relate to the values, competencies, and actions of the owner-manager. Organizational characteristics involve the tangible and intangible resources and structures of the firm. Context characteristics refer to the economic, social and institutional factors, which are external to the organization.
McWilliams et al. (2005) point out many other salient areas for discussion within the context of CSR as a strategic tool by management. Among them, the lack of a functioning definition of CSR is a challenge to senior leadership and having such a working definition of CSR would provide a better model for strategic CSR decision-making within an organization (McWilliams et al., 2005). If this were the case, researchers could begin to analyze how changes in corporate control, particularly through merger or acquisition, affect the type and level of CSR activity within firms (McWilliams et al., 2005). Alternatively, changes in top management may also determine whether leadership style and characteristics are more important than corporate culture for understanding CSR activity (McWilliams et al., 2005, p. 13). Thus, understanding the role of leadership could be extended to understanding the decision-making process and how decisions about CSR activity are affected from multiple stakeholders (McWilliams et al., 2005, p. 13). Management perception as to stakeholder value can be mixed.

According to McWilliams et al. (2005), due to the imbalance of information in CSR strategy by management, it becomes difficult to distinguish and discuss the various motivations for CSR. Thus, managers may perceive that many external stakeholders view CSR activity more favorably if it is divorced from any discussion of the bottom line, and thus management may not reveal their true motivation for such CSR strategy. While information and data collection may be difficult to acquire in this vein, it therefore becomes apparent that CSR should be based on other measurable value added outcomes that can be more transparent and readily measurable.

McWilliams and Siegel (2001) suggest that, in equilibrium, firms that engage in CSR will earn the same rate of profit as firms that do not engage in CSR (p. 10). They
offer that this is called the *neutrality result*. McWilliams and Siegel (2001) believed that
the neutrality result holds both oligopolistic and monopolistic competition. Moreover,
this, they assert, is implied for monopolistic competition because sectors with such a
structure are characterized by both horizontal and vertical differentiation, a fragmented
industry structure, and very low entry barriers (McWilliams & Siegel, 2001).
McWilliams et al. (2005) cited examples of firms in such monopolistic competitive
industries that engage in CSR to include restaurants, hotels, companies selling organic
produce, and different types of retail establishments. Thus, CSR as a strategy may not
always yield economic or market value for some types of firms within certain
competitive industries. However, there is evidence that applying CSR as an integrated
strategy can yield positive economic and social outcomes.

**Strategic CSR as a Competitive Advantage**

Reinhardt (1998) found that a firm engaging in a CSR-based strategy can only
generate an abnormal return if it can prevent competitors from imitating its strategy (as
cited in McWilliams et al., 2005, p. 11). Reinhardt concluded that in competitive
markets, this is unlikely since CSR is highly transparent and may be easily imitated.
Additional theoretical studies (Hoppe & Lehmann-Grube, 2001) “show that any early
mover advantages that might be gained by offering higher quality products (recall that
CSR is modeled as a “quality improvement” in McWilliams & Siegel, 2001) are eroded
when competitive strategies are observable” (as cited in McWilliams et al., 2005, p. 11).
In order to find the best mix of business gain and community support, Porter and Kramer
(2006) introduced a theoretical model of competitive context, otherwise known as
competitive advantage. Their model is divided into four broad areas: 1) the quantity and
quality of available business inputs, 2) the rules and incentives that govern competition,
3) the size and sophistication of local demand influenced by such things as standards for
product quality and safety, consumer rights, and fairness in government purchasing, and
4) the local availability of supporting industries, such as service providers and machinery
producers (Porter & Kramer, 2006).

Therefore, in order for a firm to continue on the matrix of which social issues to
address, Porter and Kramer (2006) offered that the essential test guiding strategic CSR
was not whether a cause is worthy, but whether it presented an opportunity to create
shared value which is meaningful and mutually beneficial for society and the enterprise.
Porter & Kramer (2006) suggested “that social issues affecting a company generally fall
into three categories, which distinguish among the many worthy causes and narrower set
of issues that are all vital: 1) generic social issues, 2) value chain social impacts, and 3)
social dimensions of competitive context” (p. 6). The first one speaks to those issues that
do not have any material impact on the company or its competitiveness.

The value chain social impacts are issues “that are significantly affected by the
firm’s activities in the ordinary course of business” (Porter & Kramer, 2006, p. 7). The
last area speaks to social issues in the external environment that “significantly affect the
underlying drivers of a company’s competitiveness in the locations where it operates”
will sort social issues into these three categories for each of its business units and primary
locations and will then rank them in terms of potential impact (p. 6). For example,
according to Porter and Kramer (2006), supporting a dance company may be a generic
social issue for a utility like Southern California Edison, but it is an important part of the
competitive context for a corporation like American Express, which depends on such high-end entertainment, hospitality, and tourism cluster (p. 6). Such a model for competitive advantage based on the impact of a firm’s strategic CSR efforts offers opportunities and fosters the firm’s ability to create a corporate social agenda that looks beyond community expectations to opportunities to achieve social and economic benefits simultaneously (Porter & Kramer, 2006). The goal is to move beyond simply mitigating harm to finding ways to reinforce corporate strategy by advancing social conditions (Porter & Kramer, 2006). Porter and Kramer (2006) posit the best corporate citizenship efforts involve far more than simply writing a check.

In summing up the competitive theoretical model proposed by Porter and Kramer (2006), strategic CSR for any company must go beyond best practices. It is about choosing a unique position, doing things differently from competitors in a way that lowers costs or better serves stakeholder needs (Porter & Kramer, 2006). For example, “Toyota's Prius, the hybrid electric/gasoline vehicle, is the first in a series of innovative car models that have produced competitive advantage and environmental benefits” (Porter & Kramer, 2006, p. 10, para. 5). As a result, Prius has given Toyota a lead so substantial over competitors that Ford and other automobile companies are licensing the technology from Toyota (Porter & Kramer, 2006). Porter and Kramer (2006) noted that “Strategic CSR involves both inside-out and outside-in dimensions that are working in tandem,” (p. 10, para. 4) and it is at this point where the opportunities for shared value lie.
Sustainable Development

While there has been much research on various theories of CSR, there also exists a systematic model for implementing successful CSR on the basis of the triple bottom line approach to increasing firm sustainability (Kleine & von Hauff, 2009, p. 530). Sustainability and sustainable development seem to go hand in hand, dating back to the early work of Carroll (1991) and to an extent, even Friedman (1970). According to Carroll (1991), all business responsibilities are predicated upon the economic responsibility, the *raison d’etre* of the firm, which is to create profit for its shareholders from supply and demand of society (Friedman, 1970). This last feature, profit, is positioned at the bottom or foundation of Carroll’s (1990) highly cited CSR pyramid, which ranks CSR responsibilities in four areas from bottom to top in this order: 1) economic, 2) legal, 3) ethical, and 4) philanthropic. Thus, according to Claydon (2009), Carroll’s pyramid suggests that all actions that derive from CSR were for economic reasons. While some assert that this pyramid is rooted in profit maximization at its base, others such as Campbell (2007) assert that companies who are economically weak are less likely to engage in CSR efforts as they have fewer resources. While Claydon (2009) noted that there have been challenges to Carroll’s pyramid of CSR, both Claydon and others (Campbell, 2007) affirmed that this ‘Pyramid of CSR’ model is insufficient as a comprehensive understanding of the ways CSR sustainability can be achieved. However, the durability of any enterprise is largely dependent on its understanding and demonstration of CSR (2009). As Aras and Crowther (2009) postulate, within the broad concept of CSR are three areas on which corporations focus most: sustainability, corporate governance, and accounting standards (p. 262, para. 2).
Aras and Crowther (2009) focused primarily on sustainability and ‘The Durable Corporation’ as they outlined a new model of CSR and sustainability (as cited in Claydon, 2009, p. 262). Aras and Crowther (2009) noted that the term “sustainability” has traditionally suggested that society must not use resources more quickly than it can produce them (as cited in Claydon, 2009, p. 262). Claydon (2009) makes clear that the term “sustainability” can mean many things to many people and can often have meaning beyond its commonly referenced perceived focus as only environmental and social. They propose a more complete definition of sustainability as societal influence, environmental impact, organizational culture, and finance. Aras and Crowther (2009) offered that to achieve sustainable development, the firm must achieve sustainability (as cited in Claydon, 2009, p. 262). This can be attained by four actions: maintaining economic activity; conserving the environment, as this is essential for the maintenance of future generations; ensuring social justice, which includes elimination of poverty and ensuring human rights; and developing spiritual and cultural values, which is where the corporate and societal values align in the individual (Aras & Crowther, 2009 as cited in Claydon, 2009, p. 262). Freeman (2004) asserted that sustainability is beyond stakeholder appeasement as in traditional organizational and stakeholder theory.

The CSR concept may serve as the basis for an effective “business case for sustainable development” and may also contribute solutions to satisfy stronger social and ecological challenges if the corporate concept is approached strategically (Kleine & von Hauff, 2009). However, Kleine and von Hauff (2009) pointed out that this new emerging framework and theoretical model for sustainable CSR also has roots in the proposed Stakeholder Theory of conventional CSR that considers all internal and external
stakeholders, including management, shareholders, neighbors, and suppliers, as well as staff in developing countries of large MNCs or groups dedicated to the natural environment (Kleine & von Hauff, 2009).

For example, GE’s Ecomagination seeks to diminish the company’s environmental footprint by integrating a super “list of planet positive initiatives” (Caldwell & Perrin, 2008, p. 71). Thus, it is “GE’s belief that financial and environmental performance can work together to drive company growth” (p. 71). In this case, GE’s Chairman & CEO, Jeffrey Immelt, has publicly made clear the program’s ambitious efforts to reduce greenhouse gas emissions and double the investment in future energy technologies, while he maintains that his motivation driven by pragmatism and not altruism (Caldwell & Perrin, 2008). According to Caldwell and Perrin (2008), GE’s CEO, Jeffrey Immelt’s “green is green” philosophy, demonstrates his belief that implementing environmentally or sustainable protective programs will accelerate GE’s profitability (p. 71). According to Caldwell and Perrin (2008), “The Coca-Cola Company has aimed to improve environmental performance in the areas of water stewardship, energy use, climate protection, and sustainable packaging” (p. 71).

Caldwell and Perrin (2008) noted that Coca-Cola acknowledged the mutual dependence of economics and environment. Notably, Coca-Cola’s own website affirms, “Our commitment is not just good corporate responsibility; it’s good business. The bottom line is that our business depends on the health and sustainability of our planet and the natural resources that we all share” (Caldwell & Perrin, 2008, p. 71). Caldwell and Perrin (2008) add that sustainable companies manage to find “sustainable sweet spots” where shareholders’ long-term interests overlap with those of society and that such sustainable
companies are likely to be highly profitable in the long run (Caldwell & Perrin, 2008, p. 71).

**Shared Value Theory**

Shared value theory, as proposed by Porter and Kramer (2006), offers a new approach for strategic CSR by firms. Integrating this inside-out and outside-in approach can offer firms new value whereby the firm gains as they are helping the community in creating greater social impact. For example, Marriott Corporation “provides 180 hours of paid classroom and on-the-job training to chronically unemployed job candidates” (Porter & Kramer, 2006, p. 11, para. 2). Porter and Kramer (2006) state that, “Marriott has combined this with support for local community service organizations that identify, screen, and refer the candidates to Marriott. The net result to Marriott and the community is a both a major benefit to communities and a reduction in Marriott’s cost of recruiting entry-level employees” (p. 11, para. 2). Hence, 90% of those in the training program receive jobs within Marriott, and one year later, more than 65% are still in their jobs (Porter & Kramer, 2005). This is a considerably higher retention rate than the industry norm (Porter & Kramer, 2006). Porter and Kramer (2006) also stated “that when such value chain practices and investments in competitive context and shared value approaches are initiated, CSR becomes hard to distinguish from the day to day business of the company” (p. 11, para. 3).

Porter and Kramer (2006) offered “that at the heart of any CSR strategy is a unique value proposition or a set of needs a company can meet for its chosen customers that others cannot deliver” (p. 11para. 4). Particularly, as Porter and Kramer (2006) noted, “the most strategic CSR occurs when a company adds a social dimension to its
value proposition, making social impact integral to the overall strategy” (p. 11). Porter and Kramer (2006) offered, as a relevant example, Whole Foods Market, whose value proposition is to sell organic and natural healthy products to customers who are also concerned about food and the environment. Here, Whole Food’s commitment to natural and environmentally friendly operating practices extends beyond sourcing alone (Porter & Kramer 2006). Porter and Kramer (2006) suggested that each store itself is constructed using only a minimum of virgin raw materials and that their delivery trucks are being converted to run on biofuels. In these ways, Whole Foods, like many other sustainable-based firms, are adding such “a social dimension to their own value proposition, which in turn offers a new frontier in competitive positioning” (Porter & Kramer, 2006, p. 11). Thus, by incorporating a social component into the CSR strategy within an enterprise, sustainable outcomes that are good for society, the environment, and a competitive advantage can be reached. The recent focus on measuring stakeholder satisfaction is short-sighted and more strategic to measuring an enterprise’s social impact (Bhattacharya et al., 2009; Wood, 1991; Spiller, 2000). Porter and Kramer (2006) suggest “NGOs, governments, and companies must stop thinking in terms of ‘corporate social responsibility’ and start thinking in terms of ‘corporate social integration’” (p. 13). The authors also recognized that companies are not responsible for most of the world’s problems, but perceiving social responsibility as building shared value rather than as damage control requires dramatically different worldviews throughout the business world (Porter & Kramer, 2006).

Many firms facing economic challenges often cannot or do not participate in CSR efforts. Campbell (2007) argues that companies who are economically weak are less
likely to actively engage in CSR initiatives, as they have fewer resources to invest such as time, money, and effort into them (p. 952). This is known as slack resource theory, and these firms are unlikely to meet the standards for effective CSR (Campbell, 2007). However, firms can find ways to find compelling reasons for effective CSR, and some of these results can sustain firms through the difficult times. For example, there is evidence (Filho, Wanderley, Gomez, & Farache, 2010) that some benefits through CSR actions include employee motivation, image and reputation enhancement, as well as awards. Carrefour, a 48,000 employee French super market chain, incudes a volunteer program which seems to play a critical role in employee motivation. Although there are no measuring methods as of yet in the stores to track this, the benefits from such a program generally lead to increased motivation, enjoyment, and a feeling of contentment (Filho, et al., 2010). In addition, by applying the proposed theoretical model of strategic CSR proposed, Carrefour’s effective implementation of their CSR program has effectively improved their corporate image and has also been noticed by several stakeholder groups. As a result, Carrefour has won a number of awards for its CSR projects and responsible corporate behavior, including the Social Responsibility in Retail Award from the Retail Excellence Center at one of its top stores in Brazil as well as the Top Social Responsibility Award from the Directors of Sales and Marketing Association (Filho, et al., 2010). Notably, at its Columbia store location, Carrefour received the United Nations Civil Society Award after the company helped families grow alternative crops in cooperation with a governmental campaign to combat drugs (CSR Globe, 2009) (as cited in Filho et al., 2010). Filho, et al. (2010) found that their study points out a firm can add value and find competitive advantage through its CSR objectives but its CSR must be
strategic and align with corporate strategies (p. 297). Here, the major competitive advantage is mainly image and reputation, and these two important advantages (Logsdon & Wood, 2002) are also internal resources that are difficult for competitors to copy (Barney, 1991).

In order for strategic CSR to be most effective, the successful mix proposes that these essential elements for the formulation of social strategy, market opportunities, internal resources and competencies, organizational values, structure of industry, and stakeholders should all be connected with the core business of the company (Burke & Logsdon, 1996) (Zadek, 2005). Filho et al. (2010) posited a new theoretical framework encompassing these elements plus the acquisition of the competitive advantage created by such a strategy. Filho, et al. (2010) asserted that actions should address social issues and that such strategies should focus on the social dimension of a competitive background, the social impact of the value chain, or generic social issues such as Porter and Kramer (2006) suggest. However, Filho, et al. (2010) are clear to point out that once the social strategy is formulated, then management can build in the elements for competitive advantage that yield enhanced firm reputation and image, retention of exceptional people, employee motivation, aggregate value, and better economic performance due to alignment of social responsibility and corporate strategy. Filho et al. (2010) also noted that as these elements are intangible resources of the company, they can only yield competitive advantage for sustainability if they are rare, irreplaceable, inimitable, and valuable (p. 300). This model is the basis for strategic CSR as a formulated strategy for competitive advantage when the enterprise integrates social responsibility with their core business and strategies of the firm (Filho, et al., 2010).
Resource-Based-View of the Firm (RBV) Theory

The CSR theory of resource-based-view of the firm (RBV) as introduced by Wernerfelt (1984) and refined by Barney (1991) borrows heavily from earlier research by Penrose (1958) (as cited in Barney, 1991). Barney (1991) maintains that if these resources and capabilities are valuable, rare, inimitable and non-substitutable, they can generate sustainable competitive advantage. It was Hart (1995) who applied this RBV framework to CSR and who focused exclusively on environmental social responsibility. Hart put forth that for certain types of firms, environmental social responsibility can constitute a resource or capability that leads to a sustained competitive advantage (Hart 1995). Russo and Fouts (1997) tested this theory empirically. By using firm-level data on environmental and accounting profitability Russo and Fouts (1997) found that firms with higher levels of environmental performance had superior financial performance.

Utilizing a RBV model, McWilliams and Siegel (2001) offered a more formal theory-of-the-firm model of “profit maximizing” CSR. McWilliams and Siegel (2001) outlined a simple model in which two companies produce identical products, except that one firm adds an additional “social” attribute or feature to the product, which is valued by some consumers. In this model, managers conducted a cost/benefit analysis to determine the amount of resources to devote to CSR activities or alternatively, they assess the demand for such CSR (McWilliams & Siegel, 2001). Accordingly, the theory-of-the-firm has several strategic implications on CSR. Such CSR can be an integral element of a firm’s business and corporate-level differentiation strategies (McWilliams, et al., 2005). McWilliams, et al. (2005) suggested that it should be considered as a form of strategic investment even when it is not directly tied to a product feature (McWilliams, et al.,
McWilliams, Van Fleet, and Cory (2002) applied the RBV framework to demonstrate how U.S. firms can use political strategies based on CSR. In short, firms seek to raise regulatory obstacles that may prevent foreign competitors from using alternative (i.e. lower labor cost) technology. Here, it is apparent that CSR can successfully be applied as a strategy in the context of political leverage, but this does little for a firm’s brand or for increased economic and market value.

**Stakeholder Management**

**Stakeholder theory.** According to Freeman (1984), it is not sufficient for managers to focus exclusively on the needs of stockholders or the owners of the corporation. Freeman’s (1984) stakeholder theory asserts that managers must satisfy a variety of constituents (e.g., workers, customers, suppliers, local community organizations) who may shape and influence firm outcomes. Stakeholder theory implies that it can be beneficial for the firm to engage in certain CSR that non-financial stakeholders perceive to be of value because, absent this, such groups might withdraw their support of the firm (McWilliams, Siegel, & Wright, 2005).

In fact, it is Conley and Williams (2005) who suggested “that corporate managers should consider not only their stakeholders in making their decisions but also a variety of “stakeholder” constituencies, including employees, residents of communities affected by their activities, governments, and organizations advocating for various social and environmental interests” (p. 2) Conley and Williams (2005) offer that “CSR, as it is universally referred to, has as its theoretical base the notion that the responsibility of a corporation extends beyond the traditional Anglo-American objective of providing financial returns to its stakeholders”, and instead should follow the European model,
which is in pursuit of a long-term “enlightened shareholder value” perspective that incorporates more significant elements (p. 1). Conley and Williams (2005) poignantly ask the fundamental question – who counts as a stakeholder? According to the head of a nonprofit CSR research group, the stakeholder category should include everyone who is in some sense an “investor” in the corporation (Conley & Williams, 2005). These authors include employees, residents of communities where the company has a significant presences (or “footprint”), and the governments of affected locales (Conley & Williams, 2005, p. 11). These authors go on to even define and outline stakeholder dialogue as structured discussions among company participants, members of civil society, employees, community members, and advocacy groups. Conley and Williams (2005) point out those stakeholders provide information to the company about their views while the company has a context outside advertising or formal public relations to express its views about social issues.

According to Conley and Williams (2005), such stakeholder dialogue is treated as a “great good” throughout the CSR movement and many non-governmental organizations (NGOs) and socially responsible investors demand it (p. 12). Conley and Williams (2005) offered that many companies are beginning to ‘map and classify’ their stakeholder audiences in order to determine the notable players, which helps to ‘systematize’ the dialogue and avoiding sending different messages to different parts of the world. In addition, this effort can “provide stakeholders with clear parameters to show if the company was really doing what it had committed” (Conley & Williams, 2005, p. 13).

As stakeholders within the realm of stakeholder theory continue to shape CSR, there are other factors at work within the realm of responsive CSR as opposed to strategic
CSR. Here, responsive CSR is an effort by firms to respond to government and stakeholder pressures in a socially responsible manner. Particularly, NGO representatives have repeatedly outlined that multinational corporations take social responsibility seriously only when pressured by their home governments (i.e., the United States, the United Kingdom, and the European Union) (Conley & Williams, 2005). NGOs point out that mandating particular behaviors is not always necessary; requiring disclosure and then exerting public pressure in favor of the adoption of best practices codes can be as or more effective (Conley & Williams, 2005). There is also some empirical support that the CSR movement will stall without government influence (Conley & Williams, 2005).

**Investors as stakeholders.** A key stakeholder group in the CSR movement is the investor group. Conley & Williams (2005) report that they have been repeatedly told that the critical impetus for sustained CSR efforts will come from large institutional investors, particularly pension funds. According to Conley and Williams (2005), “individual investors, however large their portfolios, are deemed uninterested and are therefore irrelevant” (p. 21). However, Conley & Williams (2005) noted that it is the hope of many CSR advocates that those who direct institutional investment will construe the promotion of CSR as part of their fiduciary duty and either limit their investing to those responsible companies or take an active role in the governance of the companies they buy so as to demand socially and environmentally responsible behavior. Conley & Williams (2005) pointed out that “encouraging this kind of institutional investor activism is a critical part of the British government’s own CSR initiative” (p. 21). Conley & Williams (2005) demonstrated that their research reveals that the institutional investor outlook is
complex and that although there is growing voluntary movement in favor of socially responsible investing, some take the skeptical view.

For example, Jensen (2001) offers that the skeptical view presents the need for the investor to focus on management on CSR implementation, which would arguably increase operating costs of the enterprise, blur the objective function of the firm, and reduce its financial performance. However, according to the positive view and original designer of firm stakeholder theory, Freeman (1984) sees that the standards of CSR reached by a firm may be seen as a sign of good management. In addition, some mutual funds with strong track records are successfully selling the proposition that social and environmental responsibility is good for business, and they offer portfolios limited to companies that pass their particular screens (Conley & Williams, 2005). For example, TIAA-CREF, the giant pension fund to which most American college professors belong, has long offered participants in its defined contribution plans the option to invest their holdings in socially responsible funds (Conley & Williams, 2005). Conley and Williams (2005) note that there are extremes to this option. For example, some trustees are even required to take CSR into account when making such investment decisions and perhaps most importantly in exercising their governance authority as shareholders.

At the opposite end of the spectrum are those fund managers who view “CSR investor activism behavior as a fringe movement” (Conley & Williams, 2005, p. 22), and believe that “it is his responsibility to make money for those clients—not to advocate for his own social or political views” (Conley & Williams, 2005, p. 22). This pits Freeman’s (1984) stakeholder theoretical view squarely against Friedman’s (1970) view that such CSR was counter to shareholder expectations and firm responsibilities to such
shareholders. The irony of this dichotomy is that now there is evidence that such CSR investing can lead to increased shareholder return (Consolandi, Jaiswal-Dale, Poggiani, Vercelli, 2009) (Conley & Williams, 2005).

Some account managers have in fact compiled “engagement indices” – a list of companies, half of which are in the developing world, that provide good returns for investors and whose CSR performance was monitored according to a set of “engagement principles” (Conley & Williams, 2005, p. 21). There also exists the Dow Jones Sustainability Stock Index (DJISSI) which focuses on the European corporations with the highest CSR scores among those in the Dow Jones Stoxx 600 Index as well as the Surrogate Complementary Index (SCI), which is a new benchmark that includes only those components of the DJ Stoxx 600 that do not belong to the ethical index (Consolandi et al., 2009). In the USA, the share value alone of Socially Responsible Investment (SRI) over the total of mutual funds has reached the conspicuous value of 11 percent, while in Europe the share is growing but is still not superior to 0.5 percent (Consolandi et al., 2009, p. 185). One meta-study by Orlitzky, Schmidt, Rynes, (2003), suggested that the prevailing results of empirical studies show a slightly significant out-performance of SRI funds. Consolandi et al. (2009) posited that “economic theory argues that the choice from a restricted set is likely to reduce the optimal results and can never improve upon them” (p. 186). Consolandi et al. (2009) also stated that, “analogously, finance theory maintains that the use of Socially Responsible (SR hereafter) filters leads to a restraint of the investment options and thus to a downwards shift of the line of efficient portfolios so that the trade-off between expected returns and risk deteriorates” (Consolandi et al., 2009, p. 186). However, Consolandi et al. (2009) pointed out that this could be due to a
limited set of studies focusing on the performance of SRI indexes, probably because they have been introduced only recently.

Managing communications with stakeholders. Therefore, the issue becomes how to interpret effective stakeholder communications beyond the ‘glossy and elaborate’ documents that resemble annual reports to shareholders in their professional production values (Conley & Williams, 2005, 23). While these documents are professionally prepared, they are completely voluntary (Conley & Williams, 2005). Many seem to focus on the triple bottom line (economic, social, and environmental performance) (Conley & Williams, 2005). In their analysis, Conley and Williams (2005) noted that the use of the triple bottom line has two somewhat contradictory effects: it “softens” traditional business discourse by importing “values of environment and social welfare,” and introducing language such as “social value added,” “environmental value added,” and “natural and social capital” (p. 24). As a result, Conley and Williams (2005) noted that “wealth creation,” the fundamental objective of the economic paradigm, is transformed into ‘sustainable value creation” (p. 25). Hence, the end outcome is some measurable objectivity, such as when Shell was “able to present itself as sensitive and scientific, caring without being sentimental, and equally attentive to the straightforward financial demands of shareholders and the inchoate desires of the loosely defined stakeholder class” (Conley & Williams, 2005, p. 25). Therefore, an enterprise may define its CSR efforts in both social and environmental terms for both stakeholder and shareholder.

While relationships and the benefits that drive these relationships between an enterprise and its stakeholders have received little attention in the CSR literature, the
benefits of developing strong and enduring relationships with stakeholders can be found in stakeholder theory and relationship marketing (Bhattacharya, Korschun, & Sen, 2009). Bhattacharya et al. (2009) contended that CSR can offer basic stakeholders with numerous benefits, and it is the nature of such benefits that determine the quality of the relationship between the stakeholder and the enterprise. Porter & Kramer (2006) maintain that the conceptualization of “strategic philanthropy” needs to move beyond simple cause-related marketing campaigns if CSR efforts are to yield competitive advantage for the enterprise. Sen, Bhattacharya, and Korschun (2009) showed that stakeholders may respond to CSR with an array of company-favoring behaviors and this broader approach can lead to a more complete assessment of the return on investment (ROI) in a firm’s CSR endeavors (p. 158).

Bhattacharya et al. (2009) found that relationship marketing becomes fundamental to a firm’s success when seeking to appease various stakeholder groups. Morgan and Hunt (1994) define relationship marketing as “all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges” (p. 22). Morgan and Hunt’s (1994) conceptualization included a range of potential stakeholder partners that is consistent with stakeholder theory: supplier partnerships (e.g., goods suppliers, services suppliers), buyer partnerships (e.g., intermediate customers, ultimate customers), lateral partnerships (e.g., competitors, government), and internal partnerships (e.g., employees business units) (Morgan & Hunt, 1994). Hence, according to Bhattacharya et al. (2009) CSR and stakeholder-centric theory describes how CSR activity is perceived by individual stakeholders, produces benefits for individual stakeholders, and how it can influence the relationship quality between the stakeholder
and the company, and can result in positive outcomes toward the company, the cause, and other stakeholders.

The model proposed by Bhattacharya et al. (2009) offered three key insights: 1) the model shows that stakeholders respond to CSR activities based on the degree to which the individual derives personal benefits, 2) the model shows that the nature of the stakeholder-company relationship is determined by the type of benefits that flow to the individual, and lastly, 3) the model underscores the importance of between third-party measures of CSR spending and stakeholder perceptions about the company’s CSR activities (p. 260).

**Strategic CSR and Economic Value Creation**

According to Porter and Kramer (2006), “governments, activists, and the media have all become adept at holding companies accountable for the social consequences of their activities” (p. 1). Porter and Kramer (2006) suggested that there is a myriad of firm rankings on firm social performance of their respective CSR actions, and despite such questionable methodologies, the fact is that such rankings attract considerable publicity. As a result, business leaders cannot escape this role regarding how to engage as a socially responsible enterprise (Porter & Kramer, 2006). According to Porter and Kramer (2006), many firms have not been as productive for two reasons: 1) they pit business against society, when the two are interdependent, and 2) they pressure companies to think of CSR in generic ways instead of in the way most appropriate to each firm’s strategy.

Porter and Kramer (2006) stated the following about applying CSR as a strategy:

If instead, corporations were to analyze their prospects for social responsibility using the same frameworks that guide their core business choices, they would
discover that CSR can be much more than a cost, a constraint, or a charitable deed—it can be a source of opportunity, innovation, and competitive advantage (p. 3).

Porter and Kramer (2006) noted that broadly speaking, proponents of CSR have used four key arguments to make their case: 1) moral obligation, 2) sustainability, 3) license to operate, and 4) reputation. These four constructs are all fundamental areas for any enterprise to realize and be aware of how it responds accordingly to each.

Subsequently, Porter and Kramer (2006) broke down each of these four constructs and offered examples whereby companies have been attentive and progressed in each area. However, Porter and Kramer (2006) acknowledged that some of these areas work better than others. For example, firms such as Ben & Jerry’s, Newman’s Own, Patagonia, and the Body Shop have distinguished themselves through an extraordinary long-term commitment to CSR, but even for these companies, the social impact achieved and the long term business benefit are hard to determine (Porter & Kramer, 2006).

It must also be noted that such studies of the effect of a company’s social reputation on consumer purchasing preferences or on stock market performance have been inconclusive at best (Porter & Kramer, 2006). The results of such uncoordinated CSR and philanthropic initiatives by firms lead to a sharp disconnect between that firm’s organizational strategy and long-term competitiveness and externally, to the diffusion of its CRS impact (Porter & Kramer, 2006). Porter and Kramer (2006) asserted that such groups may win battles but ultimately lose the war, as corporate and regional competitiveness can fade, wages stagnate, jobs disappear, and the wealth that pays taxes and supports nonprofit contributions erode (Porter & Kramer, 2006).
Economic Value Creation Theory

Another key theory of CSR is economic and market value creation. Here, economic value is created when customers are willing to pay more for products and/or services provided by firms than the cost of their inputs (Barney, 2001). Burke and Logsdon (1996) defined value creation in the CSR realm as "identifiable, measurable economic benefits that the firm expects to receive" (p. 497). According to Moran and Ghoshal (1999) value creation occurs by combining firm resources in new ways to leverage those resources. While not all CSR programs translate to creating economic value for the firm, (Margolis & Walsh, 2001), CSR innovation can possible under certain circumstances and lead to economic value creation for the firm (Burke & Logsdon, 1996; Kanter, 1999). While some CRS initiatives have increased costs and may have created value for various stakeholder groups, stockholders may see the value of their shares decline (Husted & Allen, 2009). Burke and Logsdon (1996) proposed a model to determine which CSR programs may create economic value. Of these five dimensions that Burke & Logsdon tested, the authors note that CSR programs that are highly central to their business missions are more likely to create business value because the firm develops resources and capabilities in the solution of social problems that can be applied to its business activities (Burke & Logsdon, 1996). Therefore, the more highly central programs are likely to create greater economic value over time than projects that are only marginal to the business purpose (Husted & Allen, 2009).

When discussing economic value theory, it should also be noted, as McWilliams, Siegel, and Wright (2005) pointed out, that it is important to distinguish between two types of product differentiation. McWilliams et al. (2005) noted that vertical
differentiation occurs when most consumers prefer one product to another (McWilliams et al., 2005). This is demonstrated when “some consumers are willing to pay a premium price for hybrid technology, given that the social characteristic of less pollution is ‘valuable’ to them” (McWilliams et al., 2005, p. 8). According to Fombrun & Shanley (1990), this type of differentiation can enhance the reputation of the firm, which adds value beyond just allowing the firm to meet a particular market demand. Horizontal differentiation, on the other hand, occurs when only some consumers prefer a particular product, but the preference is based only on taste, rather than quality (McWilliams et al., 2005). For example, when a consumer chooses a particular vehicle based on the color alone (McWilliams et al., 2005). In this case, enterprises affected by consumer choice of product or service based on taste, there is little CSR strategy that can add to create value for the firm if the consumer buys on taste preference alone. McWilliams et al. (2005) appropriately pointed out that many firms seek to mediate such asymmetric information gaps by issuing annual CSR reports. For example, they cite McDonald’s, Nike, and Motorola as annually producing a citizenship report, but they mention that some consumers see such efforts as biased because it is filtered through company management (McWilliams et al., 2005).

**Strategic CSR, Value Creation, and SMEs**

Of these numerous theoretical models discussed above, most are covered in the literature that pertains largely to the global, multi-national companies, and/or the large-scale enterprises with 500 or more employees. What has only been discussed in brief is the impactful role and significant number of SMEs that constitute the bulk of all the businesses. In particular, how does CSR theory apply to SMEs, which are so very crucial
to all developing and developed nations, their economies, and their workforce?

Questions emerge as to whether stakeholder theory applies or resource-based view theory or whether SMEs can even embrace and apply strategic CSR for competitive advantage. As Jenkins (2004) points out, given the significant scale of small business in nearly every economy, their total aggregate achievements have a major effect worldwide. Fuller (2003) noted that SMEs play multiple roles as they are seen as innovators (or laggards) in the life-cycle of particular industries.

While CSR has traditionally been the province of the corporate sector, there is recent recognition of the growing and immense influence of the SME sector, which has led to an emphasis on their social and environmental impact (Jenkins, 2004). There is a lack of clear definitions of what constitutes a true SME as it varies per country. In some countries, the number of employees is a common measure while in others, a monetary measure, such as profit is the metric of choice (Hall, 2003). The United States defines manufacturing companies that have fewer than 500 employees as constituting a SME, and non-manufacturing firms with less than $5 million dollars in sales constitute a SME (Hall, 2003).

However, despite size, Jenkins (2004) offers that SME behavior is often understood in terms of the psychological characteristics of the entrepreneur or ‘owner-manager.’ Jenkins (2004) also noted that the assumption of one SME ‘type’ is false, and any CSR initiative aimed at the sector must consider its diversity and that CSR initiatives designed in and for corporations are not necessarily suitable for SMEs. Therefore, Jenkins offered an alternative framework in which to assess CSR for SMEs, while Perrini (2006) presented an alternative theoretical and practical perspective on CSR for SMEs.
Jenkins (2004) provided support to demonstrate that there are unique and distinct cultural differences between large and small organizations. As Jenkins (2004) stated, "Although in theory the term corporate applies to small business, in practice its use has been hijacked by those talking about large companies and it has assumed extra meanings not applicable to SMEs" (p. 40). There are many distinct differences between large and small organizations such as formal versus informal approaches to social behavior, planning, formal standards, transparency, expertise in social responsibility measures, and positional authority by large firms versus owner-managed in SMEs, to name a few.

According to Jenkins (2004), the focus of SMEs is often less on societies or nations, and more on the individual local communities in which they operate (p. 41). Jenkins (2004) states that, "they are often privately held and often by owner-managers, where ownership and decisions are close to the operating units" (p. 41). Here, point is that the local business support of the community was recognized and rewarded by its members in their roles as customers, employees, professional service providers, suppliers, voters, bankers, and so on (Jenkins, 2004, p. 41, para. 4). As a result, this local interaction and commitment will help to make socially responsible businesses more successful (Besser & Miller, 2001). However, there is a counter to this approach; as Spence (1999) noted, many SMEs are often quite independent of the society in which they are situated. As to whether to apply Stakeholder Theory model for SMEs, Jenkins (2006) offers the following:

Furthermore, crucial questions such as which stakeholders are significant to SMEs, how do SMEs engage with their stakeholders (if at all), and what is the nature of these relationships have barely been asked. For example,
the dominant stakeholder for an SME is often one, large, customer company, to which the SME is financially tied. Consequently, rather than the power to define the nature of the stakeholder relationship lying with the company (the SME), in this case, the power lies with the stakeholder (the large customer organization) (p. 44).

Perrini (2006) offers an alternative theory for SMEs by which they may apply their CSR approach. Perrini (2006) offered his view that stakeholder theory need only be applied to the large firms and that such research on CSR among SMEs should be based on the theoretical concept of social capital. Perrini (2006) noted that responsible corporate behavior is purely and subjectively motivated. Perrini’s (2006) social capital theory is based on the notion that knowledge gaps still exist, affecting the best responsible managerial practices. Like Tilley (2000), Perrini shares the ideology that much work remains to develop better ethical tools and models to connect new theories to small firm practice. As a result of various enumerated theories such as social contract theory and integrative social contract theory (Donaldson & Dunfee, 1994) within the space of SMEs and CSR, there remains a need for a “detection and scanning of, and response to, the social demands that achieve social legitimacy, greater social acceptance and prestige” (Garriga & Mele, 2004, p. 58). Perrini (2006) acknowledged that often today, stakeholders have acquired relevance to the firm and that most CSR efforts tend to focus on a ‘stakeholder model.’ However, SMEs’ CSR has received little attention (Spence & Rutherford, 2003; Tilley, 2000), and there is only a small body of literature on SMEs in industrialized countries. Spence and Rutherford (2003) acknowledge that such
a knowledge gap is critical as small business enterprises remain the dominant organizational form within most countries.

Social capital refers to connections among individuals and social networks and the norms of reciprocity and trustworthiness that can improve the efficiency of society as outlined by Putnam (2000). Thus, it is these intangible assets of reputation, trust, legitimacy, and consensus that are all aspects of social capital (Spence et al., 2003, 2004) and that are the basis of the long-term performance of SMEs and especially those SMEs embedded into the local community. In fact, (UNIDO, 2002) reported that “CSR represents not just a change to the commercial environment in which individual SMEs operate, but also needs to be considered in terms of its net effect on society” (p. 2). As a result, Perrini (2006) posited that CSR offers opportunities for greater market access, cost savings, productivity, and innovation to SMEs, as well as education and community development. Thus, social capital can be a guiding theoretical model for the SME as embedded within community beyond simply responding to various or singular stakeholder groups with less impact if stakeholder theory was applied as a CSR strategic framework.

Therefore, Perrini (2006) recommended his social capital theory for SMEs as a basis to learn the most about the specific characteristics of small businesses. However, Perrini (2006) did qualify his approach that a better combination of theories is to be applied not only the social capital approach but also stakeholder theory. Hence, SMEs may leverage such social capital to promote career success, help workers find jobs, create more intellectual capital, strengthen the supplier relations and information sharing among firms, and facilitate entrepreneurship (Adler & Kwon, 2002). Moreover, in terms of
SME sustainability, the actions of SMEs serve to create value for different stakeholders (Perrini, 2006). This social capital model suggests SMEs often have stronger relationships with their stakeholders than do large corporations, and these stakeholders are often embedded within SMEs’ social capital (Perrini, 2006). Hence, according to Perrini’s (2006) research, SMEs have more chances to exploit the local community engagement than do big corporations, and local community engagement has a direct effect of SMEs to their own social capital. Moreover, responses of SMEs may differ due to cultural differences created by diverse ownership structures, strategic direction, owner-manager characteristics, and geographic location of the enterprise. The challenge for SME managers is to think about how they can promote and integrate these activities into daily business operations (Jenkins, 2004). A summary of the fundamental theories related to corporate social responsibility is shown in Table 2.1.
Table 2.1

Fundamental Theories of Corporate Social Responsibility

<table>
<thead>
<tr>
<th>Theory</th>
<th>Authors</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency Theory</td>
<td>Friedman (1970)</td>
<td>CSR is indicative of self-serving behavior on part of top management and reduces shareholder wealth</td>
</tr>
<tr>
<td>Institutional Theory</td>
<td>Jennings &amp; Zandbergen (1995)</td>
<td>Analyzes the role of institutions in shaping the consensus within the firm regarding the establishment of an “ecologically sustainable” organization</td>
</tr>
<tr>
<td>Stakeholder Theory</td>
<td>Freeman (1984)</td>
<td>Managers must satisfy a variety of constituents</td>
</tr>
<tr>
<td>Strategic Leadership Theory To CSR</td>
<td>Waldman, Siegel, &amp; Javidan (2005)</td>
<td>Focusing organization’s strategic direction</td>
</tr>
<tr>
<td>Resource-Based-View of The Firm (RBV)</td>
<td>Wernerfelt (1984) and refined by Barney (1991)</td>
<td>Presumes that firms are bundles of heterogeneous resources and capabilities that are imperfectly mobile across the enterprise</td>
</tr>
<tr>
<td>Theory-of-the-firm</td>
<td>McWilliams &amp; Siegel (2001)</td>
<td>“Profit maximizing” CSR</td>
</tr>
<tr>
<td>Economic and Market Value Creation</td>
<td>Barney (2001)</td>
<td>Value is created when customers are willing to pay more for products and/or services provided by firms than the cost of their inputs</td>
</tr>
<tr>
<td>Social Capital Theory</td>
<td>Perrini (2006)</td>
<td>Social capital refers to connections among individuals and social networks and the norms of reciprocity and trustworthiness that arise from such that can improve the efficiency of society by facilitating coordinated actions</td>
</tr>
<tr>
<td>Social Contract Theory And Integrative Social Contract Theory</td>
<td>Donaldson &amp; Dunfee (1994)</td>
<td>Consent of the governed to be governed (i.e., within the space of SMEs and CSR, there remains a need for a “detection and scanning of, and response to, the social demands that achieve social legitimacy, greater social acceptance and prestige”</td>
</tr>
<tr>
<td>Concept Of Competitive Advantage</td>
<td>Porter &amp; Kramer (2006)</td>
<td>The creation of competitive advantage occurs through the implementation of strategies that add value and create benefits for an enterprise. If corporations were to analyze their prospects for social responsibility using the same frameworks that guide their core business choices, they would discover that CSR can be much more than a cost; it can be a source of opportunity, innovation, and competitive advantage</td>
</tr>
</tbody>
</table>
Empirical Studies: Strategic CSR and Value Creation

Empirical research in the area of CSR and value-added return and financial results from such investment has been mixed (Carroll, 1999). A recent meta-analysis of more than 50 studies found that positive relationships can be expected from CSR initiatives (Orlitzky, Schmidt & Rynes, 2003). Hence, there is strong evidence to suggest that CSR activities increasingly yield benefits beyond enhanced firm reputation and for some participants; they can be tools to attract, retain, and develop employee talent (Smith, 2005). Pearce and Doh (2005) asserted that CSR is firmly and irreversibly part of the corporate fabric.

Managed properly, CSR programs can provide significant benefits to participants in terms of corporate reputation, hiring, motivation, and retention, and can assist in building and cementing valuable partnerships (Pearce & Doh, 2005). Moreover, the benefits of CSR extend well beyond the boundaries of the participating organizations, enriching the lives of many disadvantaged communities and individuals and helping to address problems that threaten future generations, other species, and precious natural resources (Pearce & Doh, 2005). Here, Pearce and Doh (2005) posited that the challenge for management, then, is to know how to meet the firm’s obligations to all of its stakeholders without compromising the basic need to earn a fair return for its owners.

CSR Strategies and Firm Size

In their study Perrini, Russo, and Tencati (2007) hypothesized that the larger the firm the more it undertakes formal CSR strategies. The methodology of Perrini at al.’s (2007) study was in two stages: 1) the first stage described CSR strategies that characterized the Italian business model and 2) a regression analysis examined whether
CSR strategies might be influenced by the size of the Italian firms. Perrini et al.’s (2007) sample was based on a population of over 3,000 Italian firms through telephone interviews carried out by computer-aided telephone interviews (CATI). Firms were randomly selected from among all Italian companies, which were obligated to register at the Register of Italian Companies. Questions were asked of top managers in each company in SMEs, the interviewee was generally the owner-manager (Perrini et al., 2007).

In this same study, factor analysis was used to identify groups of CSR strategies used by Italian firms (Perrini at al., 2007). Variables referred to the questions submitted to the firms through the CATI method, and the questionnaire was set up to determine CSR strategies (Perrini at al., 2007). The results of the regression analysis looked at six different factors describing CSR strategies; each model offered results based on the hierarchical regression procedure (Perrini et al., 2007). The results produced mixed outcomes and suggested greater reliability for large firms and more so among medium size firms (Perrini et al., 2007). Perrini et al. (2007) controlled for industry effect and geographic location, and in so doing, different considerations emerged. Depending on specific CSR strategies, results suggested that firms operating in different industries are more active compared to those operating in the agro-industrial industry (Perrini et al., 2007). Therefore, the results of this study suggested that CSR strategies related to specific categories of stakeholders have been identified, and then size was investigated as a factor that might affect socially responsible behavior by Italian firms (Perrini et al., 2007).
While the evidence is abundant that there are clear differences between the CSR approach by large firms and that of small and medium size firms (Jenkins, 2004), there have been few analyses of differences within SMEs or distinguishing factors as to why such CSR practices may differ. Preuss and Perschke (2009) analyzed the CSR strategy and performance of a medium-sized fashion retailer in the United Kingdom through manager surveys and interviews as well as customer and employee surveys, drawing distinction between key features among small, medium, and large firms. Therefore, due to constructs of agency theory and resource-based theory, the practice of CSR was distinctly unique to these categories of companies based on their size. In short, the various differences between large and small companies necessitate this observation.

The empirical data from Preuss and Perschke’s (2009) surveys affirmed this and revealed that smaller firms pay less attention to stakeholders beyond the dominant customer on which they often depend. The data affirmed that most ethical and CSR approaches are based more on the values of the owner-manager and less on external stakeholder groups, but some data reveals that small shop employees prefer working in an ethical shop and ranked this as important on their questionnaires (Preuss & Perschke, 2009). Thus, Preuss and Perschke (2009) developed a new framework based on the surveys and offered a framework of social responsibility in large, small, and medium-sized firms. In each, there are distinct separations. For example, manifestations of CSR in large firms are much more formalized, offer brand enhancement, can reach beyond the organization along the company’s supply chain, and is often based on stakeholder model (Preuss & Perschke, 2009). On the other hand, in smaller firms, CSR manifestations
include owner-manager as sole or dominant decision-maker on social issues, are very informal, and may have concern for local basis only (Preuss & Perschke, 2009).

**Specific CSR Strategies and Value Creation in MNEs**

A study of large multinational enterprises (MNEs) in Mexico, by researchers Husted and Allen (2009) examined value creation theory. Husted and Allen (2009) examined the literature on the relationship of CSR to financial performance (Griffon & Mahon, 1997; McWilliams & Siegel, 2000; Margolis & Walsh, 2001) and found mixed results. In some cases, they found a positive relationship between the two. In others, they found a negative relationship. In some empirical research of CSR and financial performance among large scale enterprises, they found no relationship. However, their research is important as they apply a different approach to find a positive approach between CSR and financial performance as they outline an approach where executives apply strategic CSR, which leads to the creation of competitive advantages for the firm (Burke & Logsdon, 1996). Working under a framework of strategic management in the design of CSR, they look for value-based outcomes within Burke and Logsdon’s (1996) five strategic dimensions (centrality, visibility, specificity, proactivity, and voluntarism) with economic value creation. Husted and Allen (2009) conducted a survey among MNEs in Mexico that tested these five dimensions. Husted and Allen tested the theory of economic value creation, which occurs when consumers are willing to pay more for products and/or services offered by the companies than the cost of their inputs as in Barney’s (2001) research.

In the study by Husted and Allen (2009), the authors surveyed 478 MNEs in Mexico and used a questionnaire applying a five-point Likert scale that had been vetted
by ten academics and business people who reviewed the instrument for items that may have been unclear and then piloted it to a small sample of thirteen firms targeting their CEOs for response (Husted & Allen, 2009). Firms were selected from the American Chamber of Commerce membership listing. Questionnaires were sent to the general managers of the subsidiaries of the 478 MNEs listed in the directory and the response rate was 23.2 percent. Husted and Allen (2009) hypothesized the following, and each was analyzed using regression analysis:

1. That the greater the centrality of a firm’s CSR programs, the greater the value creation for such programs

2. The greater the visibility of a firm’s CSR programs, the greater the value creation of such programs

3. The greater the proactivity of the firm’s CSR programs, the greater the contribution of those programs to value creation

4. The greater the specificity of a firm’s CSR programs, the greater the contribution of those programs to value creation for the firm

5. The more voluntary the CSR programs of a firm, the greater the contribution of those programs to value creation

The results from Husted and Allen’s (2009) study yielded that voluntarism is an essential element for the creation of value; however, it was not as hypothesized. In their study, results showed that MNEs in Mexico were more likely to create value for their firms when associated with constraints such as legal requirements, industry practice, and fiscal incentives (Husted & Allen, 2009). The validity of the survey construct was
analyzed from 478 general managers using factor analysis and the hypotheses were analyzed using regression analysis. Cronbach's alpha was used for each of the variables where value creation (α=0.86), centrality (α=0.75), proactivity (α=0.86), voluntarism (α=0.83), visibility (α=0.65) which was less than the desired 0.70, and appropriability was not calculated as it was a single-item construct in Husted & Allen (2009). The dependent variable was value creation, and the independent variables included centrality, specificity, visibility, proactivity, voluntarism, and control variables included firm size, industry, and U.S. origin. The implications are that such increased tax or regulatory constraints actually yield more value; however, some of the results are mitigated when looked at within Mexican law, as it mandates a type of CSR training for employees of CSR and consequently, compliance with the law in Mexico may represent voluntary behavior which is in line with the original work of Burke and Logsdon (1996), and thus creates value for the firm.

Centrality also showed high in affecting value creation. In short, the results revealed that the greater the extent to which certain objectives of social programs coincide with the firm's business mission, the more likely these social programs coincide with the firm's business mission, and the more likely these social programs will generate value (Husted & Allen, 2009). The hypotheses related to appropriability and proactivity was not confirmed in their study. The authors suggest that because the practice of CSR overall is low in Mexico, it makes sense for MNEs not to be proactive, and they theorize that because stakeholders in home countries of MNEs may drive CSR activity, that in newly industrializing economies such as Mexico, there is less stakeholder pressure for such CSR practices. Overall, the results indicated that MNEs in Mexico do create
economic and market value from CSR projects where the CSR initiative related to the firm’s business mission (Husted & Allen, 2009).

**Proactive CSR and Value Creation in SMEs**

In order to determine a causal link between CSR and SME value creation, Torugsa et al. (2012), studied SMEs who deployed proactive CSR to determine whether a pattern of responsible business choices supported economic and social benefit to the firm. In their study, they described value creation for SMEs as business choices around their core business activities that emphasized long-term economic performance. Torugsa et al. (2012) defined long term value as product innovation and product differentiation, and they emphasized that value is gained over the long-term. This approach of proactive CSR varied slightly in comparison to the Burke and Logsdon’s (1996) approach toward strategic CSR, which emphasized that the firm’s focus should be on policies and programs that yield substantial business-related benefits to the firm.

Torugsa et al. (2012) surveyed over 1,300 SMEs within the manufacturing industry with fewer than 200 employees to determine whether proactive CSR dimensions can yield value for the firm. With a response rate of 171 (14.4%) of SMEs responding, analysis showed no significant differences between early and late respondents in their firm size, location, or range of activities. The study examined the interactions of the economic and social dimensions of proactive CSR for financial benefit to the firm by applying structural equation modeling. They found that SMEs wishing to adopt proactive CSR as a strategic action should emphasize prioritized resource allocation to the development of their shared vision, stakeholder management, and strategic proactivity capabilities to achieve optimal financial outcomes. Their findings showed the probability
that proactive CSR, rather than being a business burden, can offer substantial scope for enhancing long term value for the SME. When testing for SME financial performance, their dimension of economic-related proactive CSR proved to have a direct and significant association with SME financial performance ($p < .001$). Torugsa et al. (2012) suggested those SMEs wishing to determine value creation for the firm should “identify and adopt those elements of social and environmental-related CSR for which they are best equipped” (p. 396). Torugsa et al. (2012) found that SMEs who adopted proactive CSR, depending upon the capabilities of the SMEs, when applied to their social, economic, and environmental efforts, then CSR efforts can lead to “superior financial performance” (p. 397).

Some of the findings in the Torugsa et al. (2012) research are consistent with that of Husted and Allen (2009), who looked at CSR as it applied to multi-national enterprises (MNE) in Mexico and whose findings showed that firms who apply strategic CSR can also achieve value creation in particular dimensions. Husted and Allen (2009); Perrini, Russo, and Tencati (2007) note that not all CSR programs create economic value and that such social actions by the MNE can increase costs, and in turn, cost the stockholder. However, Husted and Allen (2009) posit that these five strategic dimensions as outlined by Burke and Logsdon (1996) may create value for the firm. They find that firms which participate in CSR programs that are highly central to their business missions are more likely to create business value because the firm develops resources and capabilities in the solution of social problems that can then be applied to its business activities. Particularly, according to Kanter (1999), the more closely related the social projects are to the core business mission, the more easily transferable these resources and capabilities of the firm.
are. Another area for firm value creation is through cost reduction available to the firm by focusing CSR projects on activities within the expertise of the firm (2009).

More recent meta-analyses have demonstrated mixed findings in this stream of research, perhaps leaning towards a more positive relationship between CSR factors and financial performance, but by no stretch is there a compelling business case for CSR according to Margolis and Walsh (2003) and Orlitzky et al., (2003). Besides such ambiguity, other shortcomings exist including methodological inconsistencies, the lack of causal theory, and a circular logic to the entire field (Porter, 2008). Margolis and Walsh (2003) noted that only for firms that have demonstrated such ability to perform up to these standards with improved corporate financial performance based on CSR strategies is there justification to adopt such a CSR policy. However, in contrast to this research, there is abundant evidence and empirical data that has and does support a business case for CSR as a strategy for both large multinational firms as well as SMEs with some immediate and longer-term value added results (Husted & Allen, 2009; Perrini, Russo, & Tencati, 2007; Torugsa O’Donohue, & Hecker, 2005).

**Theoretical Framework**

CSR is a concept that researchers have struggled not just to define, but also to justify, in terms of its ability to create value for a business entity. Definitions of CSR have ranged from being effective corporate citizens, to being stewards of the environment, to voluntarily engaging in efforts to create value in society that can align with the firm’s business mission. Porter and Kramer (2006) introduced an alternative theoretical concept for CSR strategy around the concept of competitive advantage from CSR engagement. This inherent ability to beat out competitors based on social
involvement is core to their theory. According to Barney (1991), the creation of competitive advantage occurs through the implementation of strategies that add value and create benefits for an enterprise.

An enterprise can create social projects connected to its core business that are valuable, rare, and inimitable, which creates competitive advantage (Burke & Logsdon, 1996; Husted, 2003). Filho et al. (2010) also noted that there is only the creation of competitive advantage through CSR if the benefits to society really exist. Therefore, in order for an enterprise to find increased competitive advantage and greater sustainability, such CSR actions should create real and consistent results for society (Filho et al., 2010).

One of the key theories governing motivation for CSR is Freeman’s (1984) stakeholder theory. According to Freeman, firms can achieve enhanced value creation by meeting the needs of various constituents beyond shareholders. Torugsa et al. (2012) suggested that proactive economic, social, and environmental CSR can lead to sustainable development and superior financial performance. Burke and Logsdon (1996) drew a link between strategic CSR and firm value creation centered around five constructs: (centrality, specificity, proactivity, visibility, and voluntarism). Most studies examining CSR and economic value creation have involved MNEs. There is a shortage of literature devoted to CSR and SME economic value creation, particularly U.S.-based SMEs. Based on the review and discussion of the theoretical and empirical literature, a hypothesized model (see Figure 2.1) of the relationships to be tested in this study was developed.
Research Question

In this study, the researcher investigated the following research question: Does Corporate Social Responsibility, embraced as an integrated business strategy within small and medium size enterprises in the United States, lead to enhanced economic value creation?

Research Hypotheses

In order to address this research question, the following six hypotheses were tested in the study to determine if these dimensions of Strategic CSR affect firm economics:

H1: The *centrality* strategy of a firm’s CSR program significantly affects the economic value creation of the firm.

H2: The *specificity* strategy of a firm’s CSR program significantly affects the economic value creation of the firm.

H3: The *proactivity* strategy of a firm’s CSR program significantly affects the economic value creation of the firm.

H4: The *visibility* strategy of a firm’s CSR program significantly affects the economic value creation of the firm.

H5: The *voluntarism* strategy of a firm’s CSR program significantly affects the economic value creation of the firm.

H6: The integration of a firm’s CSR strategy of *centrality*, *specificity*, *proactivity*, *voluntarism*, and *visibility*, significantly affects the economic value creation of the firm.
Chapter II offered a review of the literature and theoretical framework as it relates to strategic CSR and economic value creation. The major gaps in the literature consist of 1) a limited number of empirical studies within the U.S., 2) examining community and social engagement as a strategy by SMEs for economic value creation, and 3) few empirical studies globally addressing Strategic CSR as a value creator for SMEs. The research question, six hypotheses, and the hypothesized model were also presented in Chapter II.

Chapter III presents the methodology to be employed in answering the research questions and testing the hypotheses for this study about the relationship between Strategic CSR and economic value creation.
CHAPTER III
METHODOLOGY

Chapter III presents a description of the methodology used in this study of the relationship between Strategic CSR (centrality, specificity, proactivity, visibility, and voluntarism) and Economic Value Creation (profit and value creation). The research questions and hypotheses, which appear at the end of Chapter II, were developed as a result of a gap identified in the literature by the researcher. This chapter begins with a discussion of the research design and continues with the study’s population and sampling plan, instrumentation, data collection procedures and ethical aspects, data analysis methods, and evaluation of this study’s research methods.

Research Design

The research question and hypotheses led to the development of this quantitative, non-experimental, and correlational study. The design was aimed at examining the effects of Strategic CSR on SME economic value creation. The dependent variable was economic value creation, and the independent variables were the Strategic CSR elements of centrality, specificity, proactivity, visibility, and voluntarism.

In this study, the research question was answered by all six hypotheses. Each hypothesis was tested using linear regression analysis. Cronbach’s alpha was used to assess the reliability of the survey instrument as did Husted and Allen (2009) for this explanatory correlational research.
Population and Sampling

Target Population

The target population in the study was comprised of business owners or managers from small and medium sized businesses that engage in or could engage in some element of corporate social responsibility as a business strategy from which it may benefit economically. Because there is little relative agreement on any universal definition of what makes up a small and medium sized firm (Ardic, Mylenko, & Saltane, 2011), the researcher in this study has applied a common definition similar to the International Chamber of Commerce and that of other international organizations. For purposes of this research, any small and medium size business enterprise registered in the United States that has fewer than 500 employees and less than $50 million in annual revenue qualified as representational of an SME eligible for participation in this study.

Eligibility Criteria and Exclusion Criteria

This study targeted small and medium U.S. firms that may be members of chambers of commerce located in several distinct regions of the United States. The population may be somewhat more heavily skewed by business owners in and around South Florida, given the location of the researcher conducting the study. However, efforts were made by the researcher to identify targeted social media platforms of chambers of commerce from all nine regions of the U.S. identified in the sampling methodology. These site locations varied by business chambers’ social media sites, both regionally and nationally, ranging from LinkedIn small business group sites to small business forums.

In the present study, the inclusion criteria were as follows:
1. Prospective participants must own or work for a small or medium business enterprise registered in the United States. To be eligible, the SME must have 500 employees or less and $50 million or less in total annual revenue.

2. The SME may be affiliated with a local or regional business chamber or any business listed with a social media site.

3. The SME may be a part of the LinkedIn small and medium business affinity group site.

4. Prospective participants must be of legal age (e.g., 18 years or older) as a representative of that business or enterprise.

5. Prospective participants must have served in a decision-making role at a senior level (e.g., Owner, CEO, President, CFO, Marketing Director, Principle, Partner).

Excluded from this study were the following:

1. Prospective participants from SMEs with more than 500 employees and whose revenues were in excess of $50 million.

2. Prospective participants from religious or nonprofit organizations.

3. Prospective participants who were not able to read and write English.

4. Prospective participants from those who failed to complete the survey in an appropriate manner.

5. Prospective participants who were under the age of 18.

**Accessible Population**

The accessible population in this study was limited to business owners or managers from small and medium sized firms who may engage in some elements of CSR or could engage in CSR behavior and who were accessed via business membership associations,
business chamber of commerce website postings, and postings through numerous other social media sites such as the following:

- American Express Small Business Forum Facebook page and LinkedIn American Express Small Business Forum social media page
- Greater Boca Raton Chamber of Commerce Facebook Page
- Greater Delray Beach Chamber of Commerce Facebook Page
- Santa Monica, California Chamber of Commerce Facebook Page
- Greater Boston Chamber of Commerce Facebook Page
- Other strategically selected sites for city chambers such as Los Angeles, New York, and Austin and their respective Facebook and LinkedIn social media pages
- LinkedIn small business social media groups posted on this social media site
- Small and medium-size business member association affinity websites

**Sampling Plan**

The sample mix included nonprobability sampling and purposive sampling more specifically. Whereas random sampling (e.g., probability sampling) can be more virtuous according to Kerlinger and Lee (2000), they also noted that probability sampling is not necessarily superior to non-probability sampling in all possible situations. Here, as a matter of access, purposive sampling was characterized by the use of judgment and a deliberate effort to obtain representative samples by including “presumably typical areas or groups in the sample” (Kerlinger & Lee, 2000). Therefore, SME respondents from the chamber social media sites, as well as any of the population samples from the other data collection points, may not be completely random; they qualified for this researcher’s criteria and validity purposes. Applying Green’s (1991) formula for establishing
minimum sample size for regression, the minimum sample size needed for this exploratory study was 90 respondents.

**Instrumentation**

The survey instrument for this study collected data for six variables. *Centrality, specificity, proactivity, visibility, and voluntarism* were the independent variables, and *economic value creation* was the dependent variable. The survey instrument was based on a similar survey by authors Husted and Allen (2009), which examined strategic CSR of multi-national companies in Mexico and which has been adapted for purposes of this research with permission of the researchers Husted and Allen (see Appendix B). This survey was redesigned and was added to Survey Monkey (e.g., an online survey hosting database), for distribution to those SME data collection points identified in the sampling plan above, as well as to other social media sites and online forums that were discovered in this surveying process.

The survey instrument was adapted and consisted of four parts. Each tested each variable throughout and one section representing the socio-demographic questionnaire prepared by the researcher. Part I consisted of the participant’s socio-demographic data. Part II looked at the level of CSR behavior by the firm and firm participation in CSR. Part III linked measures of stakeholder importance to the firm and its social activities, and part IV looked at industry and market demographics relevant to assessing firm income and customer demand and preferences.

In this study, the survey instrument was adapted from Husted and Allen (2009). Convergent validity was assessed by looking at pairwise correlations between items for each construct. All correlations were significant at the $p<0.05$ level, and 96.0% were
significant at the $p<0.01$ level. Husted and Allen (2009) paid attention to item wording and used items which were less subject to bias and which offered clear instructions.

A hyperlink to the survey was posted across the social media platforms used to reach the accessible population, with a narrative targeting small and medium enterprise owners and managers and describing the purpose of the survey, level of commitment, and other inclusion and exclusion criteria. Once respondents clicked the link, they were taken to the first page of the Survey Monkey hosted website. The resulting anonymous data was compiled by Survey Monkey, exported to Excel, and analyzed using SPSS.

**Part I: Description of Demographics**

**Objective indicators.** For this study, the researcher developed a demographic profile to measure objective data about the respondents and their respective characteristics. Part I of this survey included questions pertaining to respondents’ gender, race, ethnicity, education levels, and length at the firm. Race was measured using the U.S. Census Bureau’s (2011) five racial categories, including American Indian or Alaskan Native, Asian, Black or African American, Native Hawaiian or Other Pacific Islander, and White. Additionally, racial ethnicity was measured as either “Hispanic or Latino” or “Not Hispanic or Latino” (U.S. Department of Commerce, U. S. Census Bureau, 2014, Introduction section, para. 1). The researcher has also added additional ethnic categories to this list to obtain races represented in south Florida, because the U.S. Office of Management and Budget also notes that those individuals who identify their origin as Hispanic, Latino, or Spanish may be of any race (U.S. Department of Commerce, 2014, para. 1). Employment status had up to eight categories: owner, CEO, president, CFO, marketing director, principal, partner, or self-identified on the survey as
in senior management at the firm. Level of experience provided background context and gauged participant experience with CSR-related activities.

**Part II: Level of Firm Strategic CSR**

**CSR profile of SME.** All parts of the survey adapted from Husted and Allen (2009) tested for one of five key variables central to an effective CSR strategy: centrality, specificity, proactivity, visibility, and voluntarism. These five key constructs were developed by Burke and Logsdon (1996) and comprised much of part II and part III of the instrument, whereas part IV focused on the firm relative to its market and industry. This section measured the extent to which firms were engaged in CSR activities and their level of social engagement. It also looked at internal practices such as the level to which the firm and its employees are involved in their communities and how much time is allocated. This section was comprised of questions applying a five-point Likert scale.

**Part III: Strategic CSR**

**SME stakeholders and CSR.** Part III linked social responsibility and management of the firm's reputation with its stakeholders and measured for influence and communications by the firm to their relative stakeholders in areas related to the firm's social responsibility. Here, the survey consists of six questions relating to the firm, its stakeholders, and its social activities. Each of these questions was on a scale to determine the extent to which the SME works with its stakeholders and reports on its social activities as well as how important they rate those actions that demonstrate how such behavior enhances firm reputation. This section was comprised of questions applying a five-point Likert scale.
Part IV: SME CSR

*SME industry and markets.* Husted and Allen (2009) examined demand for products and the extent to which the principal market of the firm is growing. They also examined the extent to which firm’s capital expenditures in the firm’s principal industry are growing and are continuing to grow, as these changes have impact on firm value (dependent variable). This section was comprised of questions applying a five-point Likert scale and addressing areas of customer demand by seeking to measure how stable those preferences and demand are likely to be within the firm’s industry, which tests for economic value.

**Data Coding**

The survey was designed to measure the Dependent Variable of Economic Value Creation. The dependent variable in this study (in this case, it is economic value creation) was measured by asking the extent to which the firm derives benefits from Strategic CSR based on the five key dimensions outlined: *centrality, specificity, proactivity, voluntarism,* and *visibility* represented in the survey as elements such as increased customer loyalty, future customers, new products, and new markets. The data coding method used in this study was to conduct a Likert scale survey so that the corresponding responses were represented by a data set of numbers representing degrees of values for each set of variables addressed in the questions. The researcher used the following coding system in this study with numeric values for each possible answer. For Part I of the survey, the socio demographic codes were all as follows: Female = 1, Male = 2; Owner = 1, CEO = 2, President = 3, CFO = 4, Principal = 5, Partner = 6, Senior Management = 7; Indian or Alaska Native = 1, Asian = 2, Black or African = 3, Native
Hawaiian or Other Pacific Islander = 4, White = 5; Hispanic/Latino = 1, Not Hispanic/Latino = 2; Grammar school = 1, High school or equivalent = 2, Vocational/technical school (2 year) = 3, Some college/No degree = 4, Bachelor’s degree = 5, Master’s degree = 6, Doctoral degree = 7; Southeast = 1, Northeast = 2, Northwest = 3, Southwest = 4, Midwest = 5, Mid-Atlantic = 6, West Coast = 7, East Coast = 8, Central Plains = 9; 1-5 = 1, 5-10 = 2, 10-50 = 3, 50-100 = 4, 100-250 = 5, 250-500 = 6; 5 years or less = 1, 5-10 years = 2, 10-15 = 3, 15-20 = 4, 20 years or more = 5; Retail = 1, Services = 2, Manufacturing = 3, Wholesale = 4, Agriculture = 5, Special Trade Construction = 6, General and Heavy Construction = 7; 5 years or less = 1, 5-10 years = 2, 10-15 = 3, 15-20 = 4, 20 years or more = 5; Sole Proprietorship = 1, Limited Liability Company = 2, Cooperative = 3, Corporation = 4, Partnership = 5, S Corporation = 6, Benefits Corporation (B Corporation) = 7; $0 to $25,000 = 1, $25,000 to $50,000 = 2, $50,000 to $100,000 = 3, $100,000 to $250,000 = 4, $250,000 to $500,000 = 5, $500,000 to $1 million = 6, $1 million to $25 million = 7, $25 million to $50 million = 8. Parts II, III, and IV of the survey all consist of Likert scale rate scores and were coded as follows: 1 = Not at All, 2 = A Little, 3 = Somewhat, 4 = A Lot, 5 = Very Much; 1 = Strongly Disagree, 2 = Disagree, 3 = Unsure, 4 = Agree, 5 = Strongly Agree.

**Ethical Considerations**

The survey was completed voluntarily and anonymously by each SME owner or member of management. The distribution and collection of the data was conducted electronically, and the information was securely kept by the researcher for a predetermined period of time. The survey research posed no physical harm to any respondent. Upon submission to and approval by Lynn University’s Institutional Review
Board (IRB), the researcher administered the research survey and collected and compiled the data while complying with each of the guidelines established by the Lynn University Institutional Review Board. A hyperlink to the survey was posted across the social media platforms used to access the accessible population, with a narrative targeting small and medium enterprise owners and managers, describing the purpose of the survey, level of commitment, and other inclusion and exclusion criteria. Once respondents clicked the link, they were taken to the first page of the Survey Monkey hosted website. The resulting anonymous data was compiled by Survey Monkey, exported to Excel, and analyzed using SPSS.

**Data Collection Methods and Procedures**

1. Prior to collecting data, permission was obtained from researchers Husted and Allen for adaptation of their survey instrument to apply to SMEs in the United States for testing empirically (see Appendix B).

2. A hyperlink to the survey was posted across the social media platforms used to access the accessible population, with a narrative targeting small and medium enterprise owners and managers, describing the purpose of the survey, level of commitment, and other inclusion and exclusion criteria. Once respondents clicked the link, they were taken to the first page of the Survey Monkey hosted website. The resulting anonymous data was compiled by Survey Monkey, exported to Excel, and analyzed using SPSS.

3. Prior to posting the survey on the Survey Monkey website, the researcher obtained approval from the Lynn University's Institutional Review Board for use of the survey.
4. The study for such research commenced, following IRB approval and lasted for two months until a sufficient number of respondent surveys were collected.

5. The data collection points were outlined in the sampling plan above.

6. Potential respondents were initially able to access the survey instrument via the hyperlink during the one month data collection period. The data collection period was subsequently extended an additional three months to increase the response rate.

7. At the end of the survey research, the researcher provided a Report of Termination of Project to the Lynn University Institutional Review Board.

8. The data remained confidential, is stored electronically, and will be destroyed after one year.

9. The data was analyzed by SPSS statistical software versions 21.0 and 22.0.

**Data Analysis Methods**

Simple regression analyses were used to test H1 through H5. Multiple regression analysis was used to test H6. Data were analyzed using Statistical Package for Social Sciences (SPSS) software version 21.0 and 22.0. Additional statistical data analysis procedures included descriptive statistics, the calculation of Cronbach’s alphas, and exploratory factor analysis.

Whereas H1 answered the research question if centrality strategy affects economic value; H2 answered the research question if visibility strategy affects economic value; H3 answered the research question if proactivity strategy affects economic value; H4 answered the research question if appropriability strategy affects economic value; H5
answered the research question if voluntary strategy affects economic value; and H6 answered the research question if all of these variables combined effect economic value.

Descriptive statistics, including frequency distributions, along with measures of central tendency and variability, was applied to analyze the socio demographic data (I didn’t change the meaning, did I). Each hypothesis was tested as an element of Strategic CSR as defined by Burke and Logsdon (1996). The researcher applied multiple regression for the final hypothesis, combining all five of the separate independent variables to determine for correlation between the criterion variable and a combination of two or more predictor variables according to Gall, Gall, and Borg (2003). The researcher used multiple regression to test for the relationship of the tendency level of each independent variable and their relationship to economic value creation. The researcher tested the survey instrument’s internal validity and reliability using exploratory factor analysis for validity and Cronbach’s alpha for internal reliability.

In this research, the respondents were business owners and managers of small and medium size enterprises from across regions in the United States (e.g., with less than 500 employees) chosen as part of a convenience sample as referenced in the sampling plan above, and each SME was defined by the definition also cited above. Electronic surveys were sent to SMEs via Business Chambers of Commerce in various select locations or as postings on the Chambers’ respective Facebook pages, or in separate LinkedIn groups or small and medium sized business affinity home webpages, such as American Express Small Business Forum.
Evaluation of Research Methods

The researcher examined the strengths and weaknesses of the research methods presented to evaluate internal and external validity.

Internal Validity

Strengths.

1. This was an explanatory correlated quantitative study that is non-experimental based on a survey design instrument which sampled SMEs in the United States and yielded results on the effects of Strategic CSR on economic value creation for SMEs.

2. Instruments to be applied in the study have been tested and applied in previous studies and have been established as valid and reliable.

3. Reliability was determined by examining results from both a single & multi-regression analysis.

4. Respondents were from across the United States and not representative of a single or isolated region and have more validity of being representational of the larger population.

5. The use of Cronbach’s alpha with a result of .6 and above provided reliability for each of the six hypotheses.

6. Unbiased sampling occurred with the data collection from the target population of SMEs in the United States.

7. A quantitative study presented an enhanced level of validity over qualitative research, and this type of research avoided subjectivity over qualitative bias.
Weaknesses.

1. The study adopted/adapted the tested survey instrument.

External Validity

Strengths.

1. The study was a national study and can be considered more valid than one done from a single geographic region.

2. External validity assessed whether the findings were representative of the whole population and whether the results can be generalized to similar circumstances and subjects (Creswell, 1998). In this research, a convenience sample was obtained from firms around the United States in order to assess or apply outcomes that are representational for all firms in the U.S.

3. Validity can be established if results can be generalized, and the likely results from this experiment were that these results can be indicative of behavior patterns of similar SMEs when tested in similar circumstances excluding any extraneous variables not controlled.

Weaknesses.

1. The study used a convenience sample that is not as strong in research methodology as random sampling is.

2. Results may be challenged, as the sampling population is self-selected, and as non-probability research can mitigate validity.

3. Selection bias may be at work in this research.

4. Quantitative research, due to its rigidity, can avoid or overlook certain missed variables.
Chapter III presented the methodology used in answering the research question and testing the hypotheses related to this study about the relationship between Strategic CSR and economic value creation in U.S. based SMEs. Chapter IV presents the results of the data analyses performed as part of this study. In addition to providing the results of analyses related to answering the research questions and testing the hypotheses, descriptive statistics of the sample and instrumentation as well as results of analyses of the psychometric characteristics of the instruments used in this study are also presented.
CHAPTER IV
RESULTS

Chapter IV presents the results of this quantitative, explanatory, correlational and non-experimental research study about the relationship between five business strategy components central to an effective CSR strategy (centrality, specificity, proactivity, visibility, and voluntarism) and SME economic value creation. The data collected from the online surveys submitted to Survey Monkey were analyzed using the Statistical Program for the Social Sciences (SPSS) version 21.0 and 22.0. Regression analyses were used to test the hypotheses. A description of the final data producing sample, frequency distributions, psychometric evaluation of the instruments used in this study, results of hypothesis testing, and other findings are included in Chapter IV.

Final Data Producing Sample

For this study, data was collected from a convenience sample of small and medium sized enterprises from across the United States. The target population was CEOs, owners, and senior management at SMEs. The population included any small and medium sized business which employed 500 employees or less and which had revenues not exceeding $50 million. All participants were at least 18 years of age, fit the eligibility criteria, and each agreed to participate in the survey. A hyperlink to the survey was posted across the social media platforms used to access the accessible population, with a narrative which targeted small and medium enterprise owners and managers and described the purpose of the survey, level of commitment, and other inclusion and exclusion criteria. Once respondents clicked the link, they were taken to the first page of the Survey Monkey hosted website.
Based on the formula by Green (1991) and with five predictors, the minimal sample size for this study was 90 \([50+8(5) = 90]\). Surveys were collected from managers and owners of SMEs until the minimum sample size was obtained. Over a period of four months, a total of 123 surveys were collected via SurveyMonkey. Review of the data resulted in 108 usable surveys. This is primarily due to the fact that some respondents were nonprofit organizations and therefore were not considered to be small or medium sized business enterprises. Descriptive statistics including measures of central tendency, frequency distributions, and variability were used to analyze the demographic, professional, and organizational characteristics of the sample.

**Descriptive Statistics**

The demographic characteristics of SME respondents are shown in Table 4.1. Respondents were split almost evenly in terms of gender. The sample was predominantly white (83.2\%), followed by black or African-American (10.3\%), and most reported that they were not Hispanic/Latino (92.6\%). The majority of respondents had an undergraduate degree (42.6\%), followed by those with a graduate degree (31.5\%).

Table 4.1

<table>
<thead>
<tr>
<th>Demographic Characteristics (N=108)</th>
<th>Frequency</th>
<th>Valid Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>55</td>
<td>50.9</td>
</tr>
<tr>
<td>Female</td>
<td>53</td>
<td>49.1</td>
</tr>
<tr>
<td>Race</td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>89</td>
<td>83.2</td>
</tr>
<tr>
<td>Black or African-American</td>
<td>11</td>
<td>10.3</td>
</tr>
<tr>
<td>American Indian or Alaskan Native</td>
<td>1</td>
<td>.9</td>
</tr>
<tr>
<td>Asian</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td>Multiple races</td>
<td>4</td>
<td>3.7</td>
</tr>
<tr>
<td>Ethnicity</td>
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<td></td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>8</td>
<td>7.4</td>
</tr>
<tr>
<td>Not Hispanic/Latino</td>
<td>100</td>
<td>92.6</td>
</tr>
</tbody>
</table>
The professional characteristics of SME respondents are shown in Table 4.2. More than 60.0% of respondents were employed at their companies for less than 10 years, most of whom having been employed five years or less. In terms of their positions within the SMEs, most respondents were either owners (46.3%) or senior management (19.4%). Almost half the respondents were from the service industry (49.1%), while the other half were from several different industries.

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High School Or Equivalent</td>
<td>3</td>
<td>2.8</td>
</tr>
<tr>
<td>Vocational/Technical School</td>
<td>3</td>
<td>2.8</td>
</tr>
<tr>
<td>Some College/No Degree</td>
<td>11</td>
<td>10.2</td>
</tr>
<tr>
<td>Bachelor's Degree</td>
<td>46</td>
<td>42.6</td>
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<tr>
<td>Master's Degree</td>
<td>34</td>
<td>31.5</td>
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<tr>
<td>Doctoral Degree</td>
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<td>10.2</td>
</tr>
</tbody>
</table>
Table 4.2

**Professional Characteristics**

<table>
<thead>
<tr>
<th>Professional Characteristics (n=108)</th>
<th>Frequency</th>
<th>Valid Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Length of Employment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Years Or Less</td>
<td>42</td>
<td>38.9</td>
</tr>
<tr>
<td>5-10 Years</td>
<td>24</td>
<td>22.2</td>
</tr>
<tr>
<td>10-15</td>
<td>20</td>
<td>18.5</td>
</tr>
<tr>
<td>15-20</td>
<td>7</td>
<td>6.5</td>
</tr>
<tr>
<td>20 Years Or More</td>
<td>15</td>
<td>13.9</td>
</tr>
<tr>
<td><strong>Position at Firm</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>11</td>
<td>10.2</td>
</tr>
<tr>
<td>Owner</td>
<td>50</td>
<td>46.3</td>
</tr>
<tr>
<td>CEO</td>
<td>7</td>
<td>6.5</td>
</tr>
<tr>
<td>President</td>
<td>7</td>
<td>6.5</td>
</tr>
<tr>
<td>CFO</td>
<td>4</td>
<td>3.7</td>
</tr>
<tr>
<td>Principal</td>
<td>6</td>
<td>5.6</td>
</tr>
<tr>
<td>Partner</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td>Senior Management</td>
<td>21</td>
<td>19.4</td>
</tr>
<tr>
<td><strong>Industry Type</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>37</td>
<td>34.3</td>
</tr>
<tr>
<td>Retail</td>
<td>7</td>
<td>6.5</td>
</tr>
<tr>
<td>Services</td>
<td>53</td>
<td>49.1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4</td>
<td>3.7</td>
</tr>
<tr>
<td>Wholesale</td>
<td>1</td>
<td>.9</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1</td>
<td>.9</td>
</tr>
<tr>
<td>Special Trade Construction</td>
<td>4</td>
<td>3.7</td>
</tr>
<tr>
<td>General and Heavy Construction</td>
<td>1</td>
<td>.9</td>
</tr>
</tbody>
</table>

The organizational characteristics of SME respondents are shown in Table 4.3.

The majority (68.5%) of SME respondents were from the South-Atlantic (Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, and Florida) states. The majority of respondents (75.0%) worked for organizations with fewer than 50 employees, and 43.5% of respondents worked for organizations with one to five employees. Firms in business for 20 years or more...
represented 37.0% of the sample, followed by firms in business five years or less (20.4%). Limited liability companies (26.9%), corporations (25.0%), and S corporations (25.9%) were the most frequently reported types of business structures.

More than 40.0% of respondents reported revenues of less than $1,000,000. Another 25.0% reported revenues between $1,000,000 and $25,000,000, and 12.0% reported revenues between $25,000,000 and $50,000,000. Almost half (47.3%) of respondents reported that their companies invest between 1% and 5% of sales in social or community programs. Another 21.3% reported investing in excess of 5% of sales in social and community programs. Only 10.2% reported that their companies did not invest in any social or community programs. Most respondents (85.2%) reported that their companies were “very much” engaged in social or community activities such as education, culture, sports, housing, health, and poverty. When asked about future participation in one of these areas of social and community interest, 90.7% of respondents believed their company would participate.
Table 4.3

**Organizational Characteristics**

<table>
<thead>
<tr>
<th>Organizational Characteristics (N=108)</th>
<th>Frequency</th>
<th>Valid Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Location of SMEs in U.S. by Region</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle Atlantic</td>
<td>9</td>
<td>8.3</td>
</tr>
<tr>
<td>East North Central</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td>West North Central</td>
<td>1</td>
<td>.9</td>
</tr>
<tr>
<td>South Atlantic</td>
<td>74</td>
<td>68.5</td>
</tr>
<tr>
<td>East South Central</td>
<td>14</td>
<td>13.0</td>
</tr>
<tr>
<td>West South Central</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td>Mountain</td>
<td>3</td>
<td>2.8</td>
</tr>
<tr>
<td>Pacific</td>
<td>3</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>Number of Employees in the SME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-5 Employees</td>
<td>47</td>
<td>43.5</td>
</tr>
<tr>
<td>5-10 Employees</td>
<td>19</td>
<td>17.6</td>
</tr>
<tr>
<td>10-50 Employees</td>
<td>15</td>
<td>13.9</td>
</tr>
<tr>
<td>50-100 Employees</td>
<td>5</td>
<td>4.6</td>
</tr>
<tr>
<td>100-250 Employees</td>
<td>6</td>
<td>5.6</td>
</tr>
<tr>
<td>250-500 Employees</td>
<td>16</td>
<td>14.8</td>
</tr>
<tr>
<td><strong>Age of Firm</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Years or Less</td>
<td>22</td>
<td>20.4</td>
</tr>
<tr>
<td>5-10 Years</td>
<td>21</td>
<td>19.4</td>
</tr>
<tr>
<td>10-15 Years</td>
<td>19</td>
<td>17.6</td>
</tr>
<tr>
<td>15-20 Years</td>
<td>6</td>
<td>5.6</td>
</tr>
<tr>
<td>20 Years or More</td>
<td>40</td>
<td>37.0</td>
</tr>
<tr>
<td><strong>Type of Business Structure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>3.7</td>
</tr>
<tr>
<td>Sole Proprietorship</td>
<td>11</td>
<td>10.2</td>
</tr>
<tr>
<td>Limited Liability Company</td>
<td>29</td>
<td>26.9</td>
</tr>
<tr>
<td>Corporation</td>
<td>27</td>
<td>25.0</td>
</tr>
<tr>
<td>Partnership</td>
<td>1</td>
<td>.9</td>
</tr>
<tr>
<td>S Corporation</td>
<td>28</td>
<td>25.9</td>
</tr>
<tr>
<td>Nonprofit</td>
<td>8</td>
<td>7.4</td>
</tr>
</tbody>
</table>
**Frequency Distributions**

**Centrality**

*Centrality* refers to the firm’s ability to connect with community issues that directly relate to its business mission. This construct was measured in three different sections of the survey using nine items (see Appendix C) rated on a five-point scale. First, respondents were asked to rate their perception of the extent to which five centrality objectives were shared within the firm as related to their firm’s community involvement and social engagement, on a scale ranging from one “Not At All” to five “Very Much.” Lower scores indicated the objectives were shared to a lesser extent, while higher scores indicated the objectives were shared to a greater extent.

*Centrality* means ranged from 1.99 for reducing costs by using environmentally friendly technology to 3.37 for the importance preserving the natural environment to their firm’s business mission. Half of the respondents reported that saving the natural environment was a social objective shared by them as being important, with (25.0%) saying “A Lot” and (25.0%) reporting “Very Much.” Also, more than half of the respondents (67.3%) reported that addressing social causes as it relates to their firm’s business person was considered important. Many respondents (60.2%) also shared the view that being socially engaged improves relations with the public. However, only 30.2% believed that reducing costs through environmentally friendly technology was important. For this area measured, *Centrality* means averaged from 1.99 to 3.37. Frequency distributions for the importance of *Centrality* are reported in Table 4.4.
Table 4.4

Frequency Distributions for Importance of Centrality

<table>
<thead>
<tr>
<th>Centrality</th>
<th>Not at All (%)</th>
<th>A Little (%)</th>
<th>Somewhat (%)</th>
<th>A Lot (%)</th>
<th>Very Much (%)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>CENT1_Improves relations with the public agencies</td>
<td>20.4</td>
<td>19.4</td>
<td>27.8</td>
<td>22.2</td>
<td>10.2</td>
<td>2.82</td>
</tr>
<tr>
<td>CENT2_Reduces costs through environmentally friendly technologies</td>
<td>51.9</td>
<td>17.9</td>
<td>14.2</td>
<td>11.3</td>
<td>4.7</td>
<td>1.99</td>
</tr>
<tr>
<td>CENT3_How important is collaborating with the community in activities of mutual interest</td>
<td>25.5</td>
<td>19.8</td>
<td>26.4</td>
<td>19.8</td>
<td>8.5</td>
<td>2.66</td>
</tr>
<tr>
<td>CENT4_How important is preserving the natural environment to your firm’s business mission</td>
<td>10.2</td>
<td>17.6</td>
<td>22.2</td>
<td>25.0</td>
<td>25.0</td>
<td>3.37</td>
</tr>
<tr>
<td>CENT5_How important is helping or addressing social causes as it relates to your firm’s business mission</td>
<td>15.0</td>
<td>17.8</td>
<td>21.5</td>
<td>26.2</td>
<td>19.6</td>
<td>3.18</td>
</tr>
</tbody>
</table>

Next, respondents were asked to rate their level of agreement or disagreement with three non-profit related centrality objectives ranging from one “Strongly Disagree” to five “Strongly Agree.” Lower scores indicated the level of disagreement with statements as it relates to SME involvement with NPOs, while higher scores indicated the level of agreement as it relates to SME involvement with NPOs. On the matter of satisfying stakeholder and nonprofit concerns, nearly half of all respondents agreed that satisfying claims of nonprofits was important to them. For this area measured, Centrality
means averaged from 3.25 to 3.30. Frequency distributions for the non-profit related
Centrality objectives are reported in Table 4.5.

Table 4.5

Frequency Distributions for Centrality and Attention to NPOs

<table>
<thead>
<tr>
<th>Centrality</th>
<th>Strongly Disagree (%)</th>
<th>Disagree (%)</th>
<th>Unsure (%)</th>
<th>Agree (%)</th>
<th>Strongly Agree (%)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>CENT6_Nonprofits (NPOs) are highly salient to our organization</td>
<td>12.1</td>
<td>15.9</td>
<td>22.4</td>
<td>33.6</td>
<td>15.9</td>
<td>3.25</td>
</tr>
<tr>
<td>CENT7_NPOs receive a high degree of time and attention from our top management team</td>
<td>11.4</td>
<td>19.0</td>
<td>18.1</td>
<td>31.4</td>
<td>20.0</td>
<td>3.30</td>
</tr>
<tr>
<td>CENT8_Satisfying the claims of NPOs is important to our management team</td>
<td>9.3</td>
<td>18.5</td>
<td>22.2</td>
<td>34.3</td>
<td>15.7</td>
<td>3.29</td>
</tr>
</tbody>
</table>

Lastly, respondents were also asked to compare their firm to others regarding their ability to collaborate with stakeholders to find solutions to social problems on a scale ranging from “A Lot Less” to “A Lot More.” Lower scores indicated less ability, while higher scores indicated greater ability. Respondents were asked to rate their ability to interact with a wide variety of stakeholders in their community as compared to other similar firms in their respective industries. While 30.0% reported “About the Same,” over half (54.2%) reported “A Little More” to “A Lot More.” Less than 15.0% rated their ability to interact with various stakeholders to be considered as either “A Lot Less”
or "A Little Less." For this area measured, the Centrality mean was 3.54. The frequency distribution comparing respondent firms to others in terms of the collaboration related Centrality objective are reported in Table 4.6.

Table 4.6

Frequency Distribution for Industry Comparison of Centrality and Stakeholder Collaboration

<table>
<thead>
<tr>
<th>A Lot Less (%)</th>
<th>A Little Less (%)</th>
<th>About the Same (%)</th>
<th>A Little More (%)</th>
<th>A Lot More (%)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

Centrality
CENT9_Ability to collaborate with stakeholders to find solutions to social problems

5.6 9.3 30.8 33.6 20.6 3.54

Specificity

Specificity determines whether the firm can link financial benefit to the achievement of social objectives. This construct was measured in two different sections of the survey using eight items (see Appendix C) rated on a five-point scale. First, respondents were asked to rate their perception of the extent to which six specificity objectives were shared within the firm as related to their firm’s community involvement and social engagement, on a scale ranging from one “Not At All” to five “Very Much.” Lower scores indicated the objectives were shared to a lesser extent, while higher scores indicated the objectives were shared to a greater extent.
Perceived level of need for developing new business with CSR in mind was over 60.0%, ranging from "Somewhat" to "Very Much." Overall, the extent to which objectives are shared by management that specific levels of engagement in community are essential to business was 59.8%, and to what extent that they value employee consensus within the firm was 83.3%. For the development of new business with social objectives, 75.9% of respondents were within the range of "Somewhat Important" to "Very Much." For this area measured, specificity means averaged from 2.28 to 3.64. Frequency distributions for community and social engagement related specificity objectives are shown in Table 4.7.

Table 4.7
Frequency Distributions for Community and Social Engagement Specificity Objectives

<table>
<thead>
<tr>
<th>Specificity</th>
<th>Not at All (%)</th>
<th>A Little (%)</th>
<th>Somewhat (%)</th>
<th>A Lot (%)</th>
<th>Very Much (%)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPE1_Develops new business with social objectives</td>
<td>24.1</td>
<td>16.7</td>
<td>27.8</td>
<td>19.4</td>
<td>12.0</td>
<td>2.79</td>
</tr>
<tr>
<td>SPE2_Improves employee commitment to the company</td>
<td>17.8</td>
<td>12.1</td>
<td>29.0</td>
<td>24.3</td>
<td>16.8</td>
<td>3.10</td>
</tr>
<tr>
<td>SPE3_Fulfills our social responsibility</td>
<td>9.3</td>
<td>11.2</td>
<td>17.8</td>
<td>29.9</td>
<td>31.8</td>
<td>3.64</td>
</tr>
<tr>
<td>SPE4_Improves the training of our workforce</td>
<td>41.5</td>
<td>17.9</td>
<td>17.0</td>
<td>17.9</td>
<td>5.7</td>
<td>2.28</td>
</tr>
<tr>
<td>SPE5_Compared to other companies in the same industry, how do your firm’s expenditures on social programs compare</td>
<td>15.9</td>
<td>15.0</td>
<td>31.8</td>
<td>27.1</td>
<td>10.3</td>
<td>3.01</td>
</tr>
<tr>
<td>SPE6_How important is creating employment as it relates social objectives and your firm’s business mission</td>
<td>23.8</td>
<td>16.2</td>
<td>14.3</td>
<td>21.9</td>
<td>23.8</td>
<td>3.06</td>
</tr>
</tbody>
</table>
Next, respondents were asked to rate their level of agreement or disagreement with two social engagement related specificity objectives ranging from one “Strongly Disagree” to five “Strongly Agree.” Lower scores indicated the level of disagreement with statements as it relates to SME fulfillment of social objectives and participative decision making at middle and management levels, while higher scores indicated the level of agreement as it relates to SME fulfillment of social objectives and participative decision making at middle and management levels.

Regarding whether SME fulfillment of social objectives and participative decision making at middle and management levels matters, respondents who agreed that achieving social objectives is necessary in order to achieve the company’s economic objectives ranged from those who simply “Agree” (43.9%) to those who reported they “Strongly Agree” (15.9%). For those respondents who were asked whether top management believes in and values strategic, long-term importance of participative decision-making at middle and senior management levels, 83.0% were in the “Agree” to “Strongly Agree” range. For this area measured, Specificity means averaged from 3.44 to 4.00. While the low mean represents the degree to which Specificity improves the training of their workforce, the high mean represents the firm’s top management believing in and valuing strategic, long-term importance of participative decision-making at middle and senior management levels. Frequency distributions for employee-related social engagement Specificity objectives are shown in Table 4.8.
Table 4.8

**Frequency Distributions for Employee-Related Social Engagement Specificity Objectives**

<table>
<thead>
<tr>
<th>Specificity</th>
<th>Strongly Disagree (%)</th>
<th>Disagree (%)</th>
<th>Unsure (%)</th>
<th>Agree (%)</th>
<th>Strongly Agree (%)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPE7_The fulfillment of social objectives is necessary in order to achieve the company’s objectives</td>
<td>8.4</td>
<td>15.0</td>
<td>16.8</td>
<td>43.9</td>
<td>15.9</td>
<td>3.44</td>
</tr>
<tr>
<td>SPE8_Top management believes in and values strategic, long-term importance of participative decision-making at middle and senior management levels</td>
<td>3.7</td>
<td>4.6</td>
<td>8.3</td>
<td>54.6</td>
<td>28.7</td>
<td>4.00</td>
</tr>
</tbody>
</table>

**Proactivity**

*Proactivity* refers to the firm’s actions related to its practice of CSR around varying issues affecting its business. Proactivity reflects the degree to which behavior is planned in anticipation of emerging economic, technological, social or political trends and in the absence of crisis conditions according to Burke and Logsdon (1996). This construct was measured in three different sections of the survey using 15 items (see Appendix C) rated on a five-point scale.

First, respondents were asked to rate their perception of the extent to which six *proactivity* objectives were shared within the firm as related to their firm’s community involvement and social engagement on a scale ranging from one “Not At All” to five
“Very Much.” Lower scores indicated the objectives were shared to a lesser extent, while higher scores indicated the objectives were shared to a greater extent.

Frequency distributions related to a company’s plan to participate in its community, the company’s philosophy on allowing employees to engage in social projects, scanning the environment for social engagement opportunities, and the tracking of legislation and regulations are shown in Table 4.9. For example, a significant amount of SMEs (84.9%) reported it as “A Little” to “Very Much” important to have a developed plan for CSR and community engagement. However, nearly 40.0% reported it as “Not At All” important to scan the social environment in order to promote their firm’s compliance with social expectations. Yet, 60.0% saw it as “Not At All” important to only “A Little” important on the issue of monitoring or tracking legislation to be in compliance by the time legislation is enacted. For this area measured, Proactivity means averaged from 2.19 to 3.00.
Table 4.9  

Frequency Distributions for Proactivity

<table>
<thead>
<tr>
<th>Proactivity</th>
<th>Not at All (%)</th>
<th>A Little (%)</th>
<th>Somewhat (%)</th>
<th>A Lot (%)</th>
<th>Very Much (%)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRO1_How developed is your company’s plan to participate in social objectives</td>
<td>15.0</td>
<td>19.6</td>
<td>30.8</td>
<td>25.2</td>
<td>9.3</td>
<td>2.94</td>
</tr>
<tr>
<td>PRO2_Allow us to devote employee time on a monthly basis to engage in social projects</td>
<td>26.9</td>
<td>26.9</td>
<td>16.7</td>
<td>14.8</td>
<td>14.8</td>
<td>2.64</td>
</tr>
<tr>
<td>PRO3_We scan the social environment in order to promote our firm’s compliance with social expectations</td>
<td>38.0</td>
<td>26.9</td>
<td>17.6</td>
<td>13.0</td>
<td>4.6</td>
<td>2.19</td>
</tr>
<tr>
<td>PRO4_We are usually one of the first to adapt our corporate practices to reflect changing social expectations</td>
<td>29.6</td>
<td>25.9</td>
<td>24.1</td>
<td>14.8</td>
<td>5.6</td>
<td>2.41</td>
</tr>
<tr>
<td>PRO5_We track development of legislation/regulation in order to have corporate compliance mechanisms in place by the time legislation is enacted</td>
<td>44.9</td>
<td>15.0</td>
<td>17.8</td>
<td>12.1</td>
<td>10.3</td>
<td>2.28</td>
</tr>
<tr>
<td>PRO6_Existing corporate practices exceed regulatory requirements</td>
<td>26.2</td>
<td>11.2</td>
<td>19.6</td>
<td>22.4</td>
<td>20.6</td>
<td>3.00</td>
</tr>
</tbody>
</table>

Next, respondents were asked to rate their level of agreement or disagreement with seven philanthropic-behavior and employee related proactivity objectives ranging from one “Strongly Disagree” to five “Strongly Agree.” Lower scores indicated the level of disagreement with statements as it relates to top management’s approach to philanthropy and commitment to employee concerns, while higher scores indicated the
level of agreement as it relates to top management’s approach to philanthropy and commitment to employee concerns.

The extent to which respondents believed top management commits to monitoring new opportunities for firm engagement was 66.3%, and the extent they believed the corporation is committed to performing CSR in a manner consistent with the philanthropic and charitable expectations of society was 70.4%. Respondents were also asked whether top management believes it is important to satisfy employee claims (79.1%) and the amount of attention that employees received from top management and well over half reported it does matter (77.3%). For this area measured, proactivity means averaged from 3.05 to 3.97. Frequency distributions related to philanthropic-behavior and employee related proactivity objectives are shown in Table 4.10.
Table 4.10

*Frequency Distributions for Philanthropic and Employee Related Proactivity Objectives*

<table>
<thead>
<tr>
<th>Proactivity</th>
<th>Strongly Disagree (%)</th>
<th>Disagree (%)</th>
<th>Unsure (%)</th>
<th>Agree (%)</th>
<th>Strongly Agree (%)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRO7_Top management believes in and values monitoring new opportunities which can enhance the company’s abilities to solve social problems</td>
<td>8.4</td>
<td>9.3</td>
<td>15.9</td>
<td>41.1</td>
<td>25.2</td>
<td>3.65</td>
</tr>
<tr>
<td>PRO8_The corporation believes in performing in a manner consistent with the philanthropic and charitable expectations of society</td>
<td>6.5</td>
<td>7.4</td>
<td>15.7</td>
<td>43.5</td>
<td>26.9</td>
<td>3.77</td>
</tr>
<tr>
<td>PRO9_The company’s philosophy emphasizes participative consensus-seeking decision-making, followed by feedback of results of change for group evaluation and further action</td>
<td>5.6</td>
<td>9.3</td>
<td>28.0</td>
<td>38.3</td>
<td>18.7</td>
<td>3.55</td>
</tr>
<tr>
<td>PRO10_The employees are highly salient to our organization</td>
<td>4.7</td>
<td>4.7</td>
<td>15.1</td>
<td>40.6</td>
<td>34.9</td>
<td>3.96</td>
</tr>
<tr>
<td>PRO11_Employees receive a high degree of time and attention from our top management team</td>
<td>6.6</td>
<td>3.8</td>
<td>12.3</td>
<td>46.2</td>
<td>31.1</td>
<td>3.92</td>
</tr>
<tr>
<td>PRO12_Satisfying claims of our employees is important to our management team</td>
<td>4.8</td>
<td>2.9</td>
<td>13.3</td>
<td>48.6</td>
<td>30.5</td>
<td>3.97</td>
</tr>
<tr>
<td>PRO13_The government is highly salient to our organization and receives top attention from our top management team, and satisfying their claims is important</td>
<td>15.0</td>
<td>20.6</td>
<td>22.4</td>
<td>29.0</td>
<td>13.1</td>
<td>3.05</td>
</tr>
</tbody>
</table>

89
Lastly, respondents were asked to rate their firm’s ability to interact with a wide array of stakeholders, especially those with non-economic goals compared to other firms in their industry on a scale ranging from one “A Lot Less” to five “A Lot More.” Lower scores indicated a lesser level of interaction with stakeholders compared to other firms in the industry, while higher scores indicated a greater level of interaction with stakeholders compared to other firms in the industry.

Frequency distributions related to respondents’ perception of the level of importance of the SME’s ability to steer new developments effectively through public consultation processes as well as to spot opportunities amidst changes in social expectations and regulations are shown in Table 4.11. Respondents reported they felt “About The Same” to “A Lot More” in their ability to steer new developments (84.9 %) effectively through public consultation processes and (89.7 %) in their ability to spot opportunities amidst changes in social expectations. For this area measured, Proactivity means ranged from 3.45 to 3.63. The lower mean represents the firm’s ability to work with a variety of stakeholders to steer new developments. The higher mean represents the firm’s ability to spot opportunities in social expectations and regulations.
### Table 4.1

**Frequency Distributions for Proactivity**

<table>
<thead>
<tr>
<th>Proactivity</th>
<th>A Lot Less (%)</th>
<th>A Little Less (%)</th>
<th>About the Same (%)</th>
<th>A Little More (%)</th>
<th>A Lot More (%)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRO14_Ability to steer new developments effectively through public consultation processes</td>
<td>5.7</td>
<td>9.4</td>
<td>34.0</td>
<td>35.8</td>
<td>15.1</td>
<td>3.45</td>
</tr>
<tr>
<td>PRO15_Ability to spot opportunities amidst changes in social expectations and regulations</td>
<td>4.7</td>
<td>5.6</td>
<td>32.7</td>
<td>36.4</td>
<td>20.6</td>
<td>3.63</td>
</tr>
</tbody>
</table>

### Visibility

*Visibility* refers to the extent to which social initiatives may be observed by the firm’s stakeholders. Particularly, this construct examined the SME’s actions as it relates to public relations and media. This construct was measured in two different sections of the survey using three items (see Appendix C) rated on a five-point scale.

First, respondents were asked to what extent these two visibility objectives are shared by management as it relates to their firm’s commitment to community involvement and social engagement on a scale ranging from one “Not At All” to five “Very Much.” Lower scores indicated these two visibility objectives were shared to a lesser extent, while higher scores indicated these two visibility objectives were shared to a greater extent.
Frequency distribution of the SME’s public image was measured and the amount of publicity in the news media is shown in Table 4.12. SMEs reported overwhelmingly (94.4 %) that part of community involvement is being visible from “A Little” (18.5 %), “A Lot” (37.0 %), to “Very Much” (30.6 %). Many (83.4 %) reported that an increase in the presence of the company in the news media helped the company’s visibility. For this area measured, the means ranged from 2.98 to 3.79.

Table 4.12

Frequency Distributions for Public Image and News Media Visibility Objectives

<table>
<thead>
<tr>
<th>Visibility</th>
<th>Not at All (%)</th>
<th>A Little (%)</th>
<th>Somewhat (%)</th>
<th>A Lot (%)</th>
<th>Very Much (%)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>VIS1_Improves the company’s public image</td>
<td>5.6</td>
<td>8.3</td>
<td>18.5</td>
<td>37.0</td>
<td>30.6</td>
<td>3.79</td>
</tr>
<tr>
<td>VIS2_Increases the presence of the company in the news media</td>
<td>16.7</td>
<td>20.4</td>
<td>26.9</td>
<td>20.4</td>
<td>15.7</td>
<td>2.98</td>
</tr>
</tbody>
</table>

Next, the visibility objective was measured in the survey by the rating that the firms gave themselves compared to others in their industry based on their ability to interact with a wide variety of stakeholders from one “A Lot Less” to five “A Lot More.” Lower scores indicated that this visibility objective around messaging was shared to a lesser extent than their competitors in similar industries, while higher scores indicated that this visibility objective around messaging was shared to a greater extent than their competitors in similar industries.
Over 80.0% of SME respondents reported that an increase in the presence of the company in the media leads to greater value from "A Little" to "Very Much." The table below reflects the outcomes of the percent of frequency of SMEs when compared to that of other firms rated regarding their ability to interact with a wide variety of stakeholders and nonprofit organizations and nearly 87.0% reported from "About The Same" to "A Lot More." The mean for this objective is 3.68. The frequency distribution for the messaging visibility objective is shown in Table 4.13.

Table 4.13

*Frequency Distribution for Messaging Visibility Objective*

<table>
<thead>
<tr>
<th>Visibility</th>
<th>A Lot Less (%)</th>
<th>A Little Less (%)</th>
<th>About the Same (%)</th>
<th>A Little More (%)</th>
<th>A Lot More (%)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>VIS3_Ability to explain the company’s point of view to communities and interest groups</td>
<td>4.6</td>
<td>8.3</td>
<td>21.3</td>
<td>46.3</td>
<td>19.4</td>
<td>3.68</td>
</tr>
</tbody>
</table>

**Voluntarism**

*Voluntarism* refers to the scope of discretionary decision-making by the firm. This construct was measured in only one section of the survey using three items (see Appendix C) rated on a five-point scale. Respondents were asked to rate their perception of the extent to which three voluntarism objectives were shared by the firm as it related to their firm's community involvement and social engagement. This was measured on a
scale ranging from one “Not At All” to five “Very Much.” Lower scores indicated the objectives around voluntarism such as legal requirements and tax treatment were shared to a lesser extent, while higher scores indicated the objectives around voluntarism such as legal requirements and tax treatment were shared to a greater extent.

Frequency distribution related to whether the company fulfills its legal obligations, whether it follows the usual practices in their respective industries, and whether they have obtained favorable tax treatment is shown in Table 4.14. A majority of respondents (58.9%) reported that fulfilling legal requirements was “Not at All” an objective shared as being critical as it relates to the firm’s reason to be socially engaged or involved in their respective community. Nearly half (46.3%) of respondents reported that obtaining favorable tax treatment was “Somewhat” important to them to receive some form of favorable tax treatment.

Item means ranged from 2.06 to 2.94. The lower mean represents the extent to which the firm’s legal requirements are met in fulfillment of its CSR efforts. The higher mean (m = 2.94) relates to the firm’s objective around social engagement level whether tax treatment alters its CSR behavior, and seemingly, there is an effect.
Table 4.14

*Frequency Distributions for Voluntarism*

<table>
<thead>
<tr>
<th></th>
<th>Not At All (%)</th>
<th>A Little (%)</th>
<th>Somewhat (%)</th>
<th>A Lot (%)</th>
<th>Very Much (%)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOL1_Fulfills legal requirements</td>
<td>58.9</td>
<td>8.4</td>
<td>11.2</td>
<td>11.2</td>
<td>10.3</td>
<td>2.06</td>
</tr>
<tr>
<td>VOL2_Follows the usual practice in our industry</td>
<td>32.4</td>
<td>19.4</td>
<td>21.3</td>
<td>21.3</td>
<td>5.6</td>
<td>2.48</td>
</tr>
<tr>
<td>VOL3_Obtains favorable tax treatment</td>
<td>29.6</td>
<td>24.1</td>
<td>28.7</td>
<td>13.0</td>
<td>4.6</td>
<td>2.94</td>
</tr>
</tbody>
</table>

**Economic Value Creation**

*Economic Value Creation* consists of two underlying constructs — *Value Creation* and *Profit* — which were measured using nine items rated on a five-point scale. *Value Creation* refers to the firm’s obtaining new customers, developing new products, influencing customers’ buying decisions, reducing costs through improvements, and opening new markets. *Profit* simply refers to short-term and long-term profits and cost control. Each construct was measured in one section of the survey using nine items (see Appendix C) rated on a five-point scale.

Both constructs were tested by asking respondents to rate their perception of the extent to which six value creation objectives were shared within the firm as related to their firm’s community involvement and social engagement and three profit related objectives. Each construct was tested on a Likert-scale ranging from one "Not At All" to five "Very Much." Lower scores indicated the objectives surrounding value creation and
profit were shared to a lesser extent, while higher scores surrounding value creation and profit indicated the objectives were shared to a greater extent.

Frequency distributions related to Value Creation are shown in Table 4.15. For Value Creation, item means ranged from 2.15 to 3.01, with higher means indicating that value creation was reported in obtaining new customers naturally and effectively, whereas, a lower mean represents that SMEs reported less of a reduction in costs through improvements in management processes. For value creation, the outcomes show that SME respondents reported “Not At All” (25%) whereas most (75%) reported value creation as an influence in customers' buying decisions. Just under half (42.6%) reported “Not At All” as a shared objective that community involvement led to development of new products or services.

Table 4.15

Frequency Distributions for Value Creation

<table>
<thead>
<tr>
<th></th>
<th>Not at All (%)</th>
<th>A Little (%)</th>
<th>Somewhat (%)</th>
<th>A Lot (%)</th>
<th>Very Much (%)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value Creation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EVC1_Influences our customers’ buying decisions</td>
<td>25.0</td>
<td>20.4</td>
<td>29.6</td>
<td>16.7</td>
<td>8.3</td>
<td>2.63</td>
</tr>
<tr>
<td>EVC2_Obtains new customers naturally and effectively</td>
<td>14.8</td>
<td>21.3</td>
<td>27.8</td>
<td>20.4</td>
<td>15.7</td>
<td>3.01</td>
</tr>
<tr>
<td>EVC3_Increases short-term profitability</td>
<td>30.8</td>
<td>24.3</td>
<td>25.2</td>
<td>15.0</td>
<td>4.7</td>
<td>2.38</td>
</tr>
<tr>
<td>EVC4_Develops new products or services</td>
<td>42.6</td>
<td>13.9</td>
<td>22.2</td>
<td>13.0</td>
<td>8.3</td>
<td>2.31</td>
</tr>
<tr>
<td>EVC5_Reduces costs through improvements in management processes</td>
<td>43.9</td>
<td>21.5</td>
<td>16.8</td>
<td>11.2</td>
<td>6.5</td>
<td>2.15</td>
</tr>
<tr>
<td>EVC6_Open new markets</td>
<td>24.1</td>
<td>25.0</td>
<td>22.2</td>
<td>21.3</td>
<td>7.4</td>
<td>2.63</td>
</tr>
</tbody>
</table>
As for Profit, nearly 78.0% reported that they believed that short-term profits were a result of their social engagement and community involvement. The means for this section ranged from 2.71 to 3.30. The low end of the mean represented a flatter frequency distribution and the higher mean represented the cost control as an objective viewed more favorably. Nearly 76.0% reported that an objective shared was the view that long-term profits resulted from community involvement and social engagement.

Frequency distributions related to Profit are shown in Table 4.16.

Table 4.16

*Frequency Distributions for Profit*

<table>
<thead>
<tr>
<th>EVC7_Indicate the relative importance of short-term profits</th>
<th>Not at All (%)</th>
<th>A Little (%)</th>
<th>Somewhat (%)</th>
<th>A Lot (%)</th>
<th>Very Much (%)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.71</td>
<td>22.6</td>
<td>23.6</td>
<td>24.5</td>
<td>18.9</td>
<td>10.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EVC8_Indicate the relative importance of long-term profits</th>
<th>Not at All (%)</th>
<th>A Little (%)</th>
<th>Somewhat (%)</th>
<th>A Lot (%)</th>
<th>Very Much (%)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.13</td>
<td>24.8</td>
<td>14.9</td>
<td>11.9</td>
<td>19.8</td>
<td>28.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EVC9_Indicate the relative importance of cost control</th>
<th>Not at All (%)</th>
<th>A Little (%)</th>
<th>Somewhat (%)</th>
<th>A Lot (%)</th>
<th>Very Much (%)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.30</td>
<td>17.5</td>
<td>17.5</td>
<td>15.5</td>
<td>16.5</td>
<td>33.0</td>
</tr>
</tbody>
</table>

**Reliability and Validity**

This study examined *centrality, specificity, proactivity, visibility, and voluntarism* and their effect on economic value creation (*value creation and profit*) using an adapted instrument from related research by Husted and Allen (2009). Prior to answering the
research questions and testing hypotheses, internal consistency and construct validity were examined using reliability (Cronbach’s alpha) and exploratory factor analyses.

The following section presents the results of reliability and exploratory factor analyses conducted on the independent and dependent constructs used in this study.

**Reliability**

**Corporate social responsibility.** Cronbach’s alphas for the five *Corporate Social Responsibility* (CSR) constructs ranged from .636 (*visibility*) to .878 (*proactivity*), with all but one exceeding the minimum of .7 (Field, 2005). However, most all items were worthy of retention. There were no items which would significantly increase Cronbach’s alpha if deleted except for one specificity item and one voluntarism item.

Item total statistics indicated that the deletion of SPE_6 (How important is creating employment as it relates social objectives and your firm’s business mission) would cause the Cronbach’s alpha for specificity to increase from .782 to .795, an increase of .006. The deletion of VOL_3 (Obtains favorable tax treatment) would cause the Cronbach’s alpha for voluntarism to increase from .740 to .795, an increase of .013. Results of reliability analysis for *Corporate Social Responsibility* variables are shown in Table 4.17.

<table>
<thead>
<tr>
<th>CSR Constructs</th>
<th>Number of item(s)</th>
<th>Cronbach’s Alpha (α)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centrality</td>
<td>9</td>
<td>.846</td>
</tr>
<tr>
<td>Specificity</td>
<td>8</td>
<td>.782</td>
</tr>
<tr>
<td>Proactivity</td>
<td>15</td>
<td>.878</td>
</tr>
<tr>
<td>Visibility</td>
<td>3</td>
<td>.636</td>
</tr>
<tr>
<td>Voluntarism</td>
<td>3</td>
<td>.740</td>
</tr>
</tbody>
</table>
Economic value creation (value creation and profit). The Cronbach's alpha for the value creation was .872, exceeding the minimum of .7 (Field, 2005). None of the six items would significantly increase Cronbach’s alpha if deleted, making all worthy of retention. The Cronbach’s alpha for profit was .893, and none of the three items would cause Cronbach’s alpha to increase if deleted.

Validity

Exploratory factor analysis (EFA) is generally used to discover the factor structure of a measure (Field, 2005). EFA allows researchers to investigate concepts that are not easily measured directly by collapsing a large number of variables into a few interpretable underlying factors (Rahn, 2013). The key concept of factor analysis is that multiple observed variables have similar patterns of responses because of their association with an underlying latent variable, the factor, which cannot easily be measured (2013). Field (2005) says that factor analysis is used to identify groups or clusters of variables by reducing data from a group of interrelated variables to a smaller set of factors.

Field (2005) defines multicollinearity as a situation in which two or more variables are very closely linearly related. In this study, none of the data in the correlation matrix exceeded 0.9 and none of the majority of values in the significance values exceeded 0.05. This means all questions correlated fairly well and none of the correlation coefficients are fairly large; therefore, there is no need to eliminate any of the questions in the instrument.

Kaiser-Meyer-Olkin (KMO) and Bartlett’s test of Sphericity were used to examine the sampling adequacy of items and the multivariate normality of items (Field,
2005). In general, KMO statistics from .6 to .7 are mediocre, whereas greater than .7 are considered good, with outcomes above .9 considered superb, indicating that factor analysis was appropriate (Field, 2005). However, Bartlett’s test should have a significance value less than .05 ($p < .05$) for factor analysis to be appropriate (Field, 2005). KMO statistics vary from .611 to .851 and Bartlett’s test was highly significant at (.000). Both tests indicate that factor analysis on the scales would be appropriate.

Table 4.18

*KMO and Bartlett’s Tests for CSR and EVC Constructs*

<table>
<thead>
<tr>
<th>Constructs</th>
<th>KMO</th>
<th>Value</th>
<th>df</th>
<th>Sig. (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centrality</td>
<td>.801</td>
<td>359.65</td>
<td>36</td>
<td>.000</td>
</tr>
<tr>
<td>Specificity</td>
<td>.810</td>
<td>195.72</td>
<td>28</td>
<td>.000</td>
</tr>
<tr>
<td>Proactivity</td>
<td>.793</td>
<td>792.08</td>
<td>105</td>
<td>.000</td>
</tr>
<tr>
<td>Visibility</td>
<td>.611</td>
<td>44.92</td>
<td>3</td>
<td>.000</td>
</tr>
<tr>
<td>Voluntarism</td>
<td>.629</td>
<td>83.24</td>
<td>3</td>
<td>.000</td>
</tr>
<tr>
<td>Value</td>
<td>.851</td>
<td>291.28</td>
<td>15</td>
<td>.000</td>
</tr>
<tr>
<td>Profit</td>
<td>.726</td>
<td>180.11</td>
<td>3</td>
<td>.000</td>
</tr>
</tbody>
</table>

Exploratory factor analysis using principal components analysis and varimax rotation was conducted on the items that make up the questionnaire to determine which ones were associated with which CSR and Economic Value Creation constructs. Factor extraction was based on eigenvalues greater than 1.0, and values lower than .4 were suppressed (Field, 2005).

**Corporate Social Responsibility.**

*Centrality.* For centrality, nine items loaded onto two factors, with factor loadings ranging from .479 to .875. Factor 1 consisted of six general centrality items,
while factor 2 consisted of three items related to the importance of NPOs. Factor extraction was based on eigenvalues greater than 1.0 resulting in two factors for centrality that accounted for 59.5% of the total variance explained. The factor item loadings for centrality are shown in Table 4.19.

Table 4.19

Factor Item Loadings for Centrality

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>CENT1_PublicRelations_Improves relations with the public agencies</td>
<td>.757</td>
</tr>
<tr>
<td>CENT4_NaturalEnvironment_How important is preserving the natural environment to your firm’s business mission?</td>
<td>.698</td>
</tr>
<tr>
<td>CENT5_SocialCauses_How important is helping or addressing social causes as it relates to your firm’s business mission?</td>
<td>.680</td>
</tr>
<tr>
<td>CENT2_ReduceCosts_Reduces costs through environmentally friendly technologies</td>
<td>.674</td>
</tr>
<tr>
<td>CENT3_Collaborate_How important is collaborating with the community in activities of mutual interest?</td>
<td>.622</td>
</tr>
<tr>
<td>CENT9_StakeholderCollaboration_Ability to collaborate with stakeholders to find solutions to social problems</td>
<td>.479</td>
</tr>
<tr>
<td>CENT7_NPOAttention_NPOs receive a high degree of time and attention from our top management team</td>
<td>.875</td>
</tr>
<tr>
<td>CENT6_NPOSalient_Nonprofits (NPOs) are highly salient to our organization</td>
<td>.848</td>
</tr>
<tr>
<td>CENT8_NPOClaims_Satisfying the claims of NPOs is important to our management team</td>
<td>.843</td>
</tr>
</tbody>
</table>

*Specificity.* For specificity, nine items loaded onto two factors, one of the eight items loaded onto both factors, with factor loadings ranging from .561 to .807. Factor 1 consisted of five items that focused on company social responsibility and developing new business, while factor 2 consisted of four items related to the fulfillment of social objectives and participative-decision making at middle and senior management levels.
However, one item related to improving employee commitment loaded to both factors evenly. Factor extraction was based on eigenvalues greater than 1.0 resulting in two factors for *specificity* that accounted for 54.0% of the total variance explained. The factor item loadings for *specificity* are shown in Table 4.20.

Table 4.20

*Factor Item Loadings for Specificity*

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPE3_SocialResponsible_Fulfills our social responsibility</td>
<td>.724</td>
</tr>
<tr>
<td>SPE1_DevelopBiz_Develops new business with social objectives</td>
<td>.701</td>
</tr>
<tr>
<td>SPE5_FirmExpenditures_Compared to other companies in the same industry, how do your firm’s expenditures on social programs</td>
<td>.608</td>
</tr>
<tr>
<td>SPE8_ParticipateDecisionMaking_Top management believes in and values strategic, long-term importance of participative decision-making at middle and senior management levels</td>
<td>.582</td>
</tr>
<tr>
<td>SPE6_CreateEmployment_How important is creating employment as it relates social objectives and your firm’s business mission</td>
<td>.807</td>
</tr>
<tr>
<td>SPE4_WorkforceTraining_Improves the training of our workforce</td>
<td>.710</td>
</tr>
<tr>
<td>SPE7_SocialObjectives_The fulfillment of social objectives is necessary in order to achieve the company’s economic objectives</td>
<td>.636</td>
</tr>
<tr>
<td>SPE2_ImpEmpCommit_Improves employee commitment to the company</td>
<td>.561 .571</td>
</tr>
</tbody>
</table>

*Proactivity.* For *proactivity*, 15 items loaded onto four factors, with factor loadings ranging from .464 to .882. Factor 1 consisted of seven items related to managing and monitoring opportunities, while factor 2 consisted of three items related to addressing employee concerns. Factor 3 consisted of five items related to the steering of new developments and seeking opportunity in changing times, while factor 4 consisted of...
three items related to government and regulation and legislation. One item related to management monitoring for opportunities loaded to both factors evenly. One item related to philanthropic and charitable expectations of society loaded to both factors fairly evenly also. The item related to participative consensus-seeking decision-making did not load evenly between factors 1 and 2. Factor extraction was based on eigenvalues greater than 1.0 resulting in four factors for Proactivity that accounted for 71.7% of the total variance explained. The factor item loadings for Proactivity are shown in Table 4.21.
Table 4.21

*Factor Item Loadings for Proactivity*

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Factor 1</strong></td>
<td><strong>Factor 2</strong></td>
</tr>
<tr>
<td>PRO1_PlanParticipate_How developed is your company’s plan to participate in social objectives</td>
<td>.779</td>
</tr>
<tr>
<td>PRO4_EarlyAdapt_We are usually one of the first to adapt our corporate practices to reflect changing social expectations</td>
<td>.757</td>
</tr>
<tr>
<td>PRO3_SocialExpectations_We scan the social environment in order to promote our firm’s compliance with social expectations</td>
<td>.738</td>
</tr>
<tr>
<td>PRO2_EmpService_Ask us to devote employee time on a monthly basis to engage in social projects</td>
<td>.705</td>
</tr>
<tr>
<td>PRO7_ManagementMonitor_Top management believes in and values monitoring new opportunities which can enhance the company’s abilities to solve social problems</td>
<td>.560</td>
</tr>
<tr>
<td>PRO8_PhilanthropicBehavior_The corporation believes in performing in a manner consistent with the philanthropic and charitable expectations of society</td>
<td>.491</td>
</tr>
<tr>
<td>PRO11_EmployeeAttention_Employees receive a high degree of time and attention from our top management team</td>
<td>.923</td>
</tr>
<tr>
<td>PRO12_EmployeeClaims_Satisfying claims of our employees is important to our management team</td>
<td>.878</td>
</tr>
<tr>
<td>PRO10_EmployeeSalient_The employees are highly salient to our organization</td>
<td>.877</td>
</tr>
<tr>
<td>PRO14_SteerDevelopment_Ability to steer new developments effectively through public consultation processes</td>
<td>.882</td>
</tr>
<tr>
<td>PRO15_SpotOpportunities_Ability to spot opportunities amidst changes in social expectations and regulations</td>
<td>.855</td>
</tr>
<tr>
<td>PRO9_ConsensusFeedback_The company’s philosophy emphasizes participative consensus-seeking decision-making, followed by feedback of results of change for group evaluation and further action</td>
<td>.461</td>
</tr>
<tr>
<td>PRO5_LegislationTrack_We track development of legislation/regulation in order to have corporate compliance mechanisms in place by the time legislation is enacted</td>
<td>.829</td>
</tr>
<tr>
<td>PRO6_ExceedRegs_Existing corporate practices exceed regulatory requirements</td>
<td>.748</td>
</tr>
<tr>
<td>PRO13_Government_The government is highly salient to our organization and receives top attention from our top management team, and satisfying their claims is important</td>
<td>.706</td>
</tr>
</tbody>
</table>
**Visibility.** For Visibility, three items loaded onto one factor, with factor loadings ranging from .647 to .817. Factor 1 consisted of three items all related to image, media, and messaging. Factor extraction was based on eigenvalues greater than 1.0 resulting in one factor for Visibility that accounted for 58.2% of the total variance explained. The factor item loadings for Visibility are shown in Table 4.22.

Table 4.22

*Factor Item Loadings for Visibility*

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>VIS1_PublicImage_Improves the company’s public image</td>
<td>.817</td>
</tr>
<tr>
<td>VIS2_NewsMedia_Increases the presence of the company in the news media</td>
<td>.813</td>
</tr>
<tr>
<td>VIS3_Messaging_Ability to explain the company’s point of view to communities and interest groups</td>
<td>.647</td>
</tr>
</tbody>
</table>

**Voluntarism.** For Voluntarism, three items loaded onto one factor, with factor loadings ranging from .700 to .878. Factor 1 consisted of three items related to legal requirements, tax treatment, and industry practice. Factor extraction was based on eigenvalues greater than 1.0 resulting in one factor for Voluntarism that accounted for 66.2% of the total variance explained. The factor item loadings for Voluntarism are shown in Table 4.23.
Table 4.23

*Factor Item Loadings for Voluntarism*

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOL1_LegalRequire_Fulfills legal requirements</td>
<td>.878</td>
</tr>
<tr>
<td>VOL2_IndustryPractice_Follows the usual practice in our industry</td>
<td>.852</td>
</tr>
<tr>
<td>VOL3_TaxTreatment_Obtains favorable tax treatment</td>
<td>.700</td>
</tr>
</tbody>
</table>

**Economic Value Creation.**

*Value Creation.* For *Value Creation*, six items were loaded onto one factor, with factor loadings ranging from .661 to .832. Factor 1 consisted of six items related to new markets, new customers, influencing customer buying decisions, and reducing costs.

Factor extraction was based on eigenvalues greater than 1.0 resulting in one factor for *Value Creation* that accounted for 61.2% of the total variance explained. The factor item loadings for *Value Creation* are shown in Table 4.24.

Table 4.24

*Factor Item Loadings for Value Creation*

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>EVC6_NewMarkets_Opens new markets</td>
<td>.832</td>
</tr>
<tr>
<td>EVC2_NewCustomers_Obtains new customers effectively</td>
<td>.825</td>
</tr>
<tr>
<td>EVC3_IncreaseShortTerm_Increases short-term profitability</td>
<td>.821</td>
</tr>
<tr>
<td>EVC4_NewProducts_Develops new products or services</td>
<td>.784</td>
</tr>
<tr>
<td>EVC5_ManageProcess_Reduces costs through improvements in management processes</td>
<td>.757</td>
</tr>
<tr>
<td>EVC1_InfluenceBuying_Influences our customers’ buying decisions</td>
<td>.661</td>
</tr>
</tbody>
</table>
**Profit.** For *Profit*, three items loaded onto one factor, with factor loadings ranging from .885 to .935. Factor 1 consisted of three items related to short and long-term profits and cost controls. Factor extraction was based on eigenvalues greater than 1.0 resulting in one factor for *Profit* which accounted for 82.5% of the total variance explained. The factor item loadings for *Profit* are shown in Table 4.25.

Table 4.25

*Factor Item Loadings for Profit*

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>EVC8_LongTermProfits_Indicate the relative importance of long-term profits</td>
<td>.935</td>
</tr>
<tr>
<td>EVC9_CostControl_Indicate the relative importance of cost control</td>
<td>.905</td>
</tr>
<tr>
<td>EVC7_ShortTermProfits_Indicate the relative importance of short-term profits</td>
<td>.885</td>
</tr>
</tbody>
</table>

**Research Question**

The aim of this study was to determine if there is a relationship between strategic CSR and economic value. In this study, the researcher investigated the following research question: Does Corporate Social Responsibility, embraced as an integrated business strategy within small and medium sized enterprises in the United States, lead to enhanced economic value creation?

**Results of Hypotheses Testing**

Six research hypotheses with two sub hypotheses each were tested in this study to determine whether five CSR dimensions (*centrality, specificity, proactivity,*
visibility, and voluntarism) affect economic value creation (value creation and profit). Value Creation refers to respondents' perception of the degree to which obtaining new customers, developing new products, influencing customers' buying decisions, reducing costs through improvements, and opening new markets are shared objectives related to the implementation of social or community programs. Profit refers to respondents' perception of the degree to which the relative importance of short-term and long-term profits and cost control objectives are shared objectives related to the implementation of social or community programs.

Simple regression analyses were performed to determine whether there was a significant explanatory (correlational) relationship between each of the five Corporate Social Responsibility (CSR) constructs (centrality, specificity, proactivity, visibility, and voluntarism) and each of the economic value creation constructs (value creation and profit). Multiple regression analysis using the hierarchical method (forward) was used to determine whether there is a significant explanatory relationship between Corporate Social Responsibility and Economic Value Creation.

Research Hypothesis 1

To test Hypothesis 1, simple regression analyses were performed to determine whether the centrality strategy of CSR affects economic value creation (value creation and profit). Centrality refers to the firm's ability to connect to community issues that directly relate to its business mission.

H1a: The centrality strategy of a firm's CSR program affects the value creation of the firm.
Regression results and analysis of the one predictor in the model for H1a indicated a significant explanatory relationship between centrality and perceived importance of value creation ($t = 8.632, p = .000, \beta = .661$). The standardized $\beta$ for centrality was positive, indicating a positive relationship with value creation. Lower scores indicated the objectives were shared by management to a lesser extent, while higher scores indicated the objectives were shared to a greater extent. The $R^2$ and adjusted $R^2$ values indicated perception of shared centrality objectives accounted for 43.1% to 43.7% of the variation in respondents' value creation scores.

According to the findings for H1a, centrality as a strategy affects value creation. Thus, H1a was supported. Results for H1a are presented in Table 4.26.

Table 4.26

Regression Analysis of Centrality and Value Creation

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE</th>
<th>$\beta$</th>
<th>$t$</th>
<th>Sig.(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.594</td>
<td>1.741</td>
<td>.341</td>
<td>.734</td>
<td></td>
</tr>
<tr>
<td>Centrality</td>
<td>.524</td>
<td>0.061</td>
<td>.661</td>
<td>8.632</td>
<td>.000</td>
</tr>
</tbody>
</table>

Note. $p < .05$.

H1b: The Centrality strategy of a firm’s CSR program affects the profit of the firm.

Regression results and analysis of the one predictor in the model for H1b indicated a significant explanatory relationship between centrality and perceived importance of profit ($t = 3.693, p = .000, \beta = .359$). The standardized $\beta$ for centrality was positive, indicating a positive relationship with perceived importance of profit.
Lower scores indicated that the objectives were shared by management to a lesser extent, while higher scores indicated the objectives were shared to a greater extent. The $R^2$ and adjusted $R^2$ values indicated that perception of shared centrality objectives accounted for 12.0% to 12.9% of the variation in respondents' profit scores.

According to the findings for H1b, centrality as a CSR strategy affects profit. Thus, H1b was supported. Results for H1b are presented in Table 4.27.

Table 4.27

Regression Analysis of Centrality and Profit

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE</th>
<th>β</th>
<th>t</th>
<th>Sig.(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>4.136</td>
<td>1.411</td>
<td>1.29</td>
<td>2.931</td>
<td>.004</td>
</tr>
<tr>
<td>Centrality</td>
<td>.183</td>
<td>0.049</td>
<td>.359</td>
<td>3.693</td>
<td>.000</td>
</tr>
</tbody>
</table>

Note. $p < .05$.

Research Hypothesis 2

To test Hypothesis 2, simple regression analyses were performed to determine whether the specificity strategy of CSR affects economic value creation (value creation and profit). Specificity determines whether the firm can link financial benefit to the achievement of social objectives.

H2a: The specificity strategy of a firm's CSR program affects the value creation of the firm.

Regression results and analysis of the one predictor in the model for H2a indicated a significant explanatory relationship between specificity and perceived importance of value creation ($t = 9.640, p = .000, \beta = .699$). The standardized $\beta$ for specificity was positive, indicating a positive relationship with perceived importance of
value creation. Lower scores indicated the objectives were shared by management to a lesser extent, while higher scores indicated the objectives were shared to a greater extent. The $R^2$ and adjusted $R^2$ values indicated that perception of shared specificity objectives accounted for 48.4% to 48.9% of the variation in respondents’ value creation scores.

According to the findings for H2a, specificity as a strategy affects value creation. Thus, H2a was supported. Results for H2a are presented in Table 4.28.

Table 4.28

Regression Analysis of Specificity and Value Creation

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE</th>
<th>$\beta$</th>
<th>$t$</th>
<th>Sig.(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-1.334</td>
<td>1.779</td>
<td>-0.750</td>
<td>.455</td>
<td></td>
</tr>
<tr>
<td>Specificity</td>
<td>.652</td>
<td>0.068</td>
<td>0.699</td>
<td>9.640</td>
<td>.000</td>
</tr>
</tbody>
</table>

Note. $p < .05$.

H2b: The specificity strategy of a firm’s CSR program affects the profit of the firm.

Regression results and analysis of the one predictor in the model for H2b indicated a significant explanatory relationship between specificity and perceived importance of profit ($t = 6.118, p = .000, \beta = .534$). The standardized $\beta$ for specificity was positive, indicating a positive relationship with perceived importance of profit. Lower scores indicated the objectives were shared by management to a lesser extent, while higher scores indicated the objectives were shared to a greater extent. Therefore, the results indicated that the more the CSR efforts are specifically tied to financial benefit, the greater the association between specificity as a CSR strategy and profit. The
R² and adjusted R² values indicated that perception of shared specificity objectives accounted for 27.7% to 28.5% of the variation in respondents' profit scores.

According to the findings for H2b, specificity as a CSR strategy affects profit. Thus, H2b was supported. Results for H2b are presented in Table 4.29.

Table 4.29
Regression Analysis of Specificity and Profit

<table>
<thead>
<tr>
<th>R² = .285</th>
<th>Adjusted R² = .277</th>
<th>Standard Error = 3.420</th>
<th>F = 37.424</th>
<th>Sig.(p) = .000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
<td>B</td>
<td>SE</td>
<td>β</td>
<td>t</td>
</tr>
<tr>
<td>(Constant)</td>
<td>.729</td>
<td>1.423</td>
<td>.513</td>
<td>.609</td>
</tr>
<tr>
<td>Specificity</td>
<td>.330</td>
<td>0.054</td>
<td>.534</td>
<td>6.118</td>
</tr>
</tbody>
</table>

Note. p < .05.

Research Hypothesis 3

To test Hypothesis 3, simple regression analyses were performed to determine whether the proactivity strategy of CSR affects economic value creation (value creation and profit). Proactivity refers to the firm’s actions to its practice of CSR around varying issues affecting its business.

H3a: The proactivity strategy of a firm’s CSR program affects the value creation of the firm.

Regression results and analysis of the one predictor in the model for H3a indicated a significant explanatory relationship between proactivity and perceived importance of value creation (t = 6.896, p = .000, β = .580). The standardized β for proactivity was positive, indicating a positive relationship with perceived importance of value creation. Lower scores indicated the objectives were shared by management to a lesser extent, while higher scores indicated the objectives were shared to a greater extent.
The $R^2$ and adjusted $R^2$ values indicated that perception of shared *proactivity* objectives accounted for 32.9% to 33.6% of the variation in respondents’ *value creation* scores.

According to the findings for H3a, *proactivity* as a strategy affects *value creation*. Thus, H3a was supported. Results for H3a are presented in Table 4.30.

Table 4.30

*Regression Analysis of Proactivity and Value Creation*

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE</th>
<th>$\beta$</th>
<th>t</th>
<th>Sig.(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-.717</td>
<td>2.353</td>
<td>-.305</td>
<td>.761</td>
<td></td>
</tr>
<tr>
<td>Proactivity</td>
<td>.324</td>
<td>0.047</td>
<td>.580</td>
<td>6.896</td>
<td>.000</td>
</tr>
</tbody>
</table>

Note. $p < .05$.

H3b: The *proactivity strategy* of a firm’s CSR program affects the *profit* of the firm.

Regression results and analysis of the one predictor in the model for H3b indicated a significant explanatory relationship between *proactivity* and perceived importance of *profit* ($t = 4.086, p = .000, \beta = .399$). The standardized $\beta$ for *proactivity* was positive, indicating a positive relationship with perceived importance of *profit*. Lower scores indicated the objectives were shared by management to a lesser extent, while higher scores indicated the objectives were shared to a greater extent. The $R^2$ and adjusted $R^2$ values indicated that perception of shared *specificity* objectives accounted for 15.0% to 15.9% of the variation in respondents’ *profit* scores.

According to the findings for H3b, *proactivity* as a CSR strategy affects *profit*. Thus, H3b was supported. Results for H3b are presented in Table 4.31.
Table 4.31

Regression Analysis of Proactivity and Profit

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE</th>
<th>β</th>
<th>t</th>
<th>Sig.(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.891</td>
<td>1.846</td>
<td>1.024</td>
<td>.308</td>
<td></td>
</tr>
<tr>
<td>Proactivity</td>
<td>.150</td>
<td>.037</td>
<td>.399</td>
<td>4.086</td>
<td>.000</td>
</tr>
</tbody>
</table>

Note. p < .05.

Research Hypothesis 4

To test Hypothesis 4, simple regression analyses were performed to determine whether the visibility strategy of CSR affects economic value creation (value creation and profit). Visibility refers to the extent to which social initiatives may be observed by the firm’s stakeholders.

H4a: The visibility strategy of a firm’s CSR program affects the value creation of the firm.

Regression results and analysis of the one predictor in the model for H4a indicated a significant explanatory relationship between visibility and perceived importance of value creation ($t = 6.656$, $p = .000$, $\beta = .547$). The standardized $\beta$ for visibility was positive, indicating a positive relationship with perceived importance of value creation. Lower scores indicated that the objectives were shared by management to a lesser extent, while higher scores indicated that the objectives were shared to a greater extent. The $R^2$ and adjusted $R^2$ values indicated perception of shared visibility objectives accounted for 29.2% to 29.9% of the variation in respondents’ value creation scores.

According to the findings for H4a, visibility as a strategy affects value creation. Thus, H4a was supported. Results for H4a are presented in Table 4.32.
Table 4.32

Regression Analysis of Visibility and Value Creation

<table>
<thead>
<tr>
<th>R² = .299</th>
<th>Adjusted R² = .292</th>
<th>Standard Error = 5.031</th>
<th>F = 44.305</th>
<th>Sig.(p) = .000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
<td>B</td>
<td>SE</td>
<td>β</td>
<td>t</td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.240</td>
<td>2.003</td>
<td>1.119</td>
<td>.266</td>
</tr>
<tr>
<td>Visibility</td>
<td>1.232</td>
<td>0.185</td>
<td>.547</td>
<td>6.656</td>
</tr>
</tbody>
</table>

Note. p < .05.

H4b: The visibility strategy of a firm’s CSR program affects the profit of the firm.

Regression results and analysis of the one predictor in the model for H4b did not indicate a significant explanatory relationship between visibility and perceived importance of profit \((t = 1.532, p = .129, \beta = .153)\). According to the findings for H4b, visibility as a CSR strategy does not affect profit. Thus, H4b was not supported. Results for H4b are presented in Table 4.33.

Table 4.33

Regression Analysis of Visibility and Profit

<table>
<thead>
<tr>
<th>R² = .023</th>
<th>Adjusted R² = .013</th>
<th>Standard Error = 3.959</th>
<th>F = 2.348</th>
<th>Sig.(p) = .129</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
<td>B</td>
<td>SE</td>
<td>β</td>
<td>t</td>
</tr>
<tr>
<td>(Constant)</td>
<td>6.680</td>
<td>1.647</td>
<td>4.056</td>
<td>.000</td>
</tr>
<tr>
<td>Visibility</td>
<td>.234</td>
<td>0.152</td>
<td>1.532</td>
<td>.129</td>
</tr>
</tbody>
</table>

Note. p < .05.
Research Hypothesis 5

To test Hypothesis 5, simple regression analyses were performed to determine whether the *voluntarism strategy* of CSR affects economic value creation (*value creation* and *profit*). *Voluntarism* refers to the scope of discretionary decision-making by the firm.

H5a: The *voluntarism strategy* of a firm’s CSR program affects the *value creation* of the firm.

Regression results and analysis of the one predictor in the model for H5a indicated a significant explanatory relationship between *voluntarism* and perceived importance of *value creation* ($t = 7.399$, $p = .000$, $\beta = .589$). The standardized $\beta$ for *voluntarism* was positive, indicating a positive relationship with perceived importance of *value creation*. Lower scores indicated that the objectives were shared by management to a lesser extent, while higher scores indicated that the objectives were shared to a greater extent. The $R^2$ and adjusted $R^2$ values indicated perception of shared *voluntarism* objectives accounted for 34.1% to 34.7% of the variation in respondents’ *value creation* scores.

According to the findings for H5a, *voluntarism* as a strategy affects *value creation*. Thus, H5a was supported. Results for H5a are presented in Table 4.34.

Table 4.34

<table>
<thead>
<tr>
<th>Regression Analysis of Voluntarism and Value Creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$R^2 = .347$</td>
</tr>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>Voluntarism</td>
</tr>
</tbody>
</table>

*Note. p < .05.*
H5b: The *voluntarism strategy* of a firm’s CSR program affects the *profit* of the firm.

Regression results and analysis of the one predictor in the model for H5b indicated a significant explanatory relationship between *voluntarism* and perceived importance of *profit* ($t = 3.711, p = .000, \beta = .353$). The standardized $\beta$ for *voluntarism* was positive, indicating a positive relationship with perceived importance of *profit*. Lower scores indicated that the objectives were shared by management to a lesser extent, while higher scores indicated that the objectives were shared to a greater extent. The $R^2$ and adjusted $R^2$ values indicated perception of shared *voluntarism* objectives accounted for 11.5% to 12.4% of the variation in respondents’ *profit* scores.

According to the findings for H5b, *voluntarism* as a CSR strategy affects *profit*. Thus, H5b was supported. Results for H5b are presented in Table 4.35.

Table 4.35

*Regression Analysis of Voluntarism and Profit*

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE</th>
<th>$\beta$</th>
<th>$t$</th>
<th>Sig.(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>6.036</td>
<td>.918</td>
<td></td>
<td>6.572</td>
<td>.000</td>
</tr>
<tr>
<td>Voluntarism</td>
<td>.451</td>
<td>.121</td>
<td>.353</td>
<td>3.711</td>
<td>.000</td>
</tr>
</tbody>
</table>

*Note. p < .05.*
Research Hypothesis 6

H6: The integration of a firm's CSR strategy of centrality, specificity, proactivity, visibility, and voluntarism affect the economic value creation of the firm.

To test Hypothesis 6, multiple regression analyses using the hierarchical (forward) method was performed to determine whether there was a significant explanatory (correlational) relationship between CSR (centrality, specificity, proactivity, visibility, and voluntarism) and Economic Value Creation (value creation and profit).

The five independent CSR variables (centrality, specificity, proactivity, visibility, and voluntarism) were entered into two separate hierarchical (forward) multiple regression analyses with each of the two economic value creation constructs, beginning with the strongest Pearson r correlation and ending with the weakest.

Collinearity statistics were examined. The Variance Inflation Factor (VIF) is a predictor of strong linear relationships with other predictors and may be a concern if over 10, while tolerance should be greater than .10 (Field, 2005, p. 175). For all the models produced in H6 regressions, the (VIF) ranged from 1.000 to 4.348, while the tolerance ranged from .230 to 1.000. These results were well within the recommended guidelines, suggesting multicollinearity was not a problem for either H6 sub-hypothesis. Finally, although t-tests are easiest to conceptualize as measures of whether the predictor is making a significant contribution to the model, the standardized beta values (β) provide a better insight into the importance of a predictor in the model. Hence, the standardized beta values (β) were used to indicate the degree of importance in the best model (Field, 2005, p. 193).
H6a: The integration of a firm’s CSR strategy of *centrality, specificity, proactivity, visibility, and voluntarism* affect the *value creation* of the firm.

Five different models were produced from the hierarchical multiple regression testing for a relationship between CSR strategies and perceived importance of *value creation*. Each model had significant $F$ values, which is the significance of the regression model as a whole. Model 5 ($F = 25.900, p = .000$) had the highest Adjusted $R^2$, explaining between 59.4% and 61.8% of the variation in respondents’ *value creation* scores. As such, model 5 was selected as the best explanatory model to predict respondents’ perceived importance of *value creation* outcomes.

Analysis of the individual predictors indicated significant explanatory relationships between two of the five predictors and perceived importance of *value creation*. The standardized beta coefficient ($\beta$) for each of the predictors indicated its relative importance in explaining perceived importance of *value creation*. The positive standardized $\beta$ indicated a positive relationship with *value creation*. Voluntarism was the most important predictor ($t = 3.781, p = .000, \beta = .303$) in the model, followed by visibility ($t = 2.918, p = .005, \beta = .251$). Thus H6a was partially supported. The regression results for H6a are summarized in Table 4.36.
Table 4.36

Multiple Regression Analysis of CSR Strategies and Value Creation

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE</th>
<th>β</th>
<th>t</th>
<th>Sig.(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-4.222</td>
<td>2.128</td>
<td>-1.984</td>
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<td>.272</td>
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</tr>
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</tr>
<tr>
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<td>.578</td>
<td>.153</td>
<td>.303</td>
<td>3.781</td>
<td>.000</td>
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</table>

Note. p < .05.

H6b: The integration of a firm’s CSR strategy of centrality, specificity, proactivity, visibility, and voluntarism affect the profit of the firm.

To test Hypothesis 6, multiple regression analyses using the hierarchical (forward) method was performed to determine whether there was a significant explanatory (correlational) relationship between CSR (centrality, specificity, proactivity, visibility, and voluntarism) and Economic Value Creation (profit).

Five different models were produced from the hierarchical multiple regression testing for a relationship between CSR strategies and perceived importance of profit. Each model had significant F values, which is the significance of the regression model as a whole. Model 5 (F = 6.825, p = .000) had the highest Adjusted $R^2$, explaining between 25.7% and 30.2% of the variation in respondents’ profit scores. As such, model 5 was selected as the best explanatory model to predict respondents' perceived importance of profit as economic value.

Analysis of the individual predictors indicated a significant explanatory relationship between one predictor and perceived importance of profit. Specificity was
the model's only significant predictor \((t = 3.499, p = .001, \beta = .585)\). Thus H6b was only partially supported. The regression results for H6b are summarized in Table 4.37.

Table 4.37

_Multiple Regression Analysis of CSR Strategies and Profit_

<table>
<thead>
<tr>
<th>Variable</th>
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<th>SE</th>
<th>P</th>
<th>(t)</th>
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<tr>
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<td>.155</td>
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<td>.121</td>
<td>1.110</td>
<td>.270</td>
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</tbody>
</table>

_Note_. \(p < .05\).
CHAPTER V
DISCUSSION

This research study was the first to analyze a set of CSR factors and their effects on perceived economic value creation as it relates to SMEs in the United States. Interpreted in light of the literature review, this study extended previous research to a new area of study as SMEs comprise over 60 percent of the U.S. economy, account for 99.9% of U.S. businesses, and generate nearly 50.0% of annual GDP (http://www.sba.gov, 2013). The purpose of this quantitative, explanatory, correlational and non-experimental research study was to determine if there is a relationship between five distinct CSR factors (centrality, specificity, proactivity, visibility, and voluntarism) and Economic Value Creation (value creation and profit). Chapter V offers interpretations of research findings, practical implications, conclusions, limitations, and recommendations for future study.

Interpretations

Research Hypothesis 1

H1: The centrality strategy of a firm’s CSR program affects the economic value creation of the firm.

Hypothesis 1 tested the relationship between centrality and perceived importance of economic value creation, defined as constructs value creation (H1a) and profit (H1b). In H1, both sub-hypotheses were supported. Results indicated that there was a significant relationship between the SME centrality strategy and perceived importance of both value creation and profit.
Findings were consistent with Husted and Allen’s (2009) study, which found that centrality is a relevant dimension of CSR that significantly affects economic value creation. Findings support Burke and Logsdon (1996), who argued that actions or programs having high centrality are expected to receive priority within the organization and to yield future benefits, ultimately translating into profits for the organization. Findings are also consistent with Kanter (1999), who asserted that the more closely related the social projects are to the core business mission, the more easily transferable these resources and capabilities are.

This study’s significant relationship between centrality and profit appears to contradict Torugsa, et al. (2012), who found no direct association for either the social or environmental dimensions of proactive CSR on SME financial performance. However, because centrality explained less variation in profit than it did in value creation, findings are somewhat consistent with results from Torugsa et al. (2012), which showed a direct association only between economic dimensions and firm financial performance.

**Research Hypothesis 2**

H2: The specificity strategy of a firm’s CSR program affects the economic value creation of the firm.

Hypothesis 2 tested the relationship between specificity and perceived importance of economic value creation defined as constructs value creation (H2a) and profit (H2b). Burke and Logsdon (1996) define specificity as the firm’s ability to capture or internalize the benefits of CSR programs rather than simply creating collective goods which can be shared by others in the industry, community, or society as a whole.
In H2, both sub-hypotheses were also supported. Results indicated that there was a significant relationship between the SME specificity strategy and perceived importance of value creation and profit.

Findings were not consistent with Husted and Allen’s (2009), which found that specificity did not affect economic value creation \( (p=.939) \). As they asserted, this may have been due to the lack of CSR in Mexico directly, as most MNEs were driven by their CSR strategy in their home countries. Therefore, they were less likely to be carefully monitored and less likely to be implemented. This makes sense as these companies were therefore less likely to be active with any formalized CSR program. The authors also asserted that in many areas in Mexico, markets are not as competitive, firms do not feel as if they need to be involved socially in their communities, and there is a lack of attention in the design of CSR projects in ways that will generate profits. In this study, however, SME owners and managers reported they were scanning for opportunities to be socially engaged within their communities. Again, findings were also inconsistent with Torugsa et al. (2012), who found no association between social behaviors of the firm and financial performance. As with H1b, however, specificity explained less of the variation in profit than it did in value creation. However, the findings did support Burke and Logsdon (1996), who proposed that a company’s ability to internalize highly specific benefits can yield value creation to the firm.

**Research Hypothesis 3**

H3: The proactivity strategy of a firm’s CSR program affects the economic value creation of the firm.
Hypothesis 3 tested the relationship between proactivity and perceived importance of economic value creation defined as constructs value creation (H3a) and profit (H3b). Burke and Logsdon (1996) define proactivity as the degree to which behavior is planned in anticipation of emerging economic, technological, social, or political trends and in the absence of a crisis. In H3, both sub-hypotheses were also supported. Results indicated that there was a significant relationship between the SME proactivity strategy and perceived importance of value creation and profit.

Findings were not consistent with Husted and Allen, who found that proactivity did not affect economic value creation \( (p=.408) \). The authors posited that this may have been due to the lack of CSR in Mexico. Therefore, CSR programs were less likely to be carefully monitored and less likely to be implemented. This makes sense as these companies were therefore less likely to be active with any formalized CSR program. Yet in this study, the research points to SME managers and owners perceiving value as relevant to being involved in areas of community involvement such as devoting employee time to social projects and the having/valuing the ability to spot opportunities in meeting social expectations.

Findings did support Burke and Logsdon (1996), who asserted that in turbulent times, firms must always scan their environments to anticipate changes likely to affect the firm. They identify these changes as new market opportunities to emerging social issues or threats. They offer that firms that recognize critical changes early were better suited to take advantage of opportunities. Findings from this study did agree with Jenkins (2006), who argued that SMEs should not wait to be forced to undertake CSR by supply chain or legislative pressure, but by being proactive, which is an advantage.
**Research Hypothesis 4**

H4: The *visibility strategy* of a firm’s CSR program affects the *economic value creation* of the firm.

Hypothesis 4 tested the relationship between *visibility* and perceived importance of *economic value creation* defined as constructs *value creation* (H4a) and *profit* (H4b). Burke and Logsdon denote visibility as both the observability of a business activity and the firm’s ability to gain recognition from internal and external stakeholders. Results indicated that there was a significant relationship between the SME *visibility strategy* and perceived importance of *value creation*, but not *profit*. This last measure may indicate that SME owners and managers did not see a direct correlation between news media presence and perceived level of *profits*.

Findings were only partially consistent with Husted and Allen (2009), who found that *visibility* is a relevant dimension that significantly affects *economic value creation* ($p = .004$). As they found, the greater the extent to which certain objectives of social programs coincide with the firm’s image and maintaining the firm’s presence in the news media, the greater likelihood that this can lead to product differentiation in its products in the market to generate value.

These results support Burke and Logsdon’s (1996) research asserting that *visibility* is critical to both internal employees and external stakeholders. They posit that *visibility* within a firm increases employee morale and employee loyalty. They also provide evidence that *visibility* can lead to new products or markets, customer loyalty, and future purchasers.
Research Hypothesis 5

H5: The voluntarism strategy of a firm’s CSR program affects the economic value creation of the firm.

Hypothesis 5 tested the relationship between voluntarism and perceived importance of economic value creation defined as constructs value creation (H5a) and profit (H5b). Burke and Logsdon (1996) define voluntarism as indicative of the scope of discretionary decision-making by the firm and the absence of externally imposed compliance measures. In H5, both sub-hypotheses were supported. Results indicated that there was a significant relationship between the SME voluntarism strategy and perceived importance of both value creation and profit.

Findings were consistent with Husted and Allen, who found that voluntarism is a relevant dimension that significantly affects economic value creation \( (p = .000) \). However, they suggested that CSR as a corporate strategy may play an increasingly more important role at the home country headquarters since Mexico as a market is still a newly industrialized economy and that such activity beyond centrality and visibility appears to create less value from CSR projects.

Findings support Burke and Logsdon (1996), who posit that voluntarism, similar to proactivity, adds value to the firm in both social and strategic value. Findings in this study of a positive relationship between voluntarism and profit are also consistent with research by Torugsa et al. (2012). Torugsa et al. (2012) found that in order for firms to achieve better economic outcomes as it relates to their CSR programs, SMEs need to voluntarily adopt CSR-related projects for which they are best suited to implement and deliver (p. 396).
Research Hypothesis 6

H6: The integration of a firm's CSR strategy of centrality, specificity, proactivity, visibility, and voluntarism affect the economic value creation of the firm.

Hypothesis 6 tested the relationship between five distinct CSR factors (centrality, specificity, proactivity, visibility, and voluntarism) and perceived importance of economic value creation defined as value creation (H6a) and profit (H6b). In H6, both sub-hypotheses were partially supported. Results indicated that there was a significant relationship between SME visibility and voluntarism strategies and perceived importance of both value creation and profit. Additionally, centrality was almost a significant predictor of value creation ($p=.063$), but it did not have a significant relationship with profit ($p=.180$).

Findings in this study were supported by Husted and Allen (2009), who postulated that these three CSR strategies: centrality, visibility, and voluntarism, were significant predictors of economic value creation as it relates to the tenets of value creation but not in gauging levels of short-term or long-term profit. The order of the relative importance of the three predictors was the same in both studies, with voluntarism the most significant of the three predictors, followed by visibility and centrality. Similarly, centrality fell just outside the range of significance in both this study ($t = 1.889, p = .063$) and Husted and Allen's (2009) ($t = 1.97, p = .055$). The lack of significance in the Husted and Allen study may be attributable to the low level of CSR in Mexico, given that Mexico is still a newly industrialized economy and that such activity beyond centrality and visibility appears to create less value from CSR-related projects. In
this study, while *centrality* affected *value creation* when analyzed using simple linear regression, its ability to affect *value creation* was lessened when analyzed with other CSR constructs in a multiple regression model.

However, findings in this study supported Burke and Logsdon (1996), who postulated that those firms deploying a range of CSR strategies can achieve *economic value creation*. Findings were also consistent with Torugsa et al. (2012), who found that proactive and integrated use of economic, social, and environmental CSR strategies can produce a competitive advantage.

**Practical Implications**

While SMEs may be inspired to be more socially involved in their communities, they often lack the sophistication, infrastructure, and resources of a larger corporation. In short, SMEs are trying to obtain a competitive advantage while juggling competing resource demands and the need to take strategic actions (Torugsa et al. 2012). There is a need for SMEs to prioritize their resources in order to maximize economic value creation. SMEs should allocate resources to the development of their shared vision, stakeholder management, and strategic proactivity capabilities.

1. Research agrees CSR strategies that are *central* to the business mission result in *economic value creation*. This study supports those findings that the greater the extent to which certain objectives of social programs coincide with the firm’s business mission, the more likely these social programs will generate value. Porter & Kramer (2006) provide an example of how supporting a dance company may be a generic or less *central* social issue for a utility like Southern California Edison, but may be an important part of the competitive context for a corporation
like American Express, which depends on such high-end entertainment, hospitality, and tourism cluster.

2. Findings from this research showed the degree to which CSR projects enable the firm to internalize benefits that are believed to lead to value creation. SMEs should opt for CSR programs that create firm specific cost savings. For example, an energy firm investing in cogeneration technology, which recaptures heat discharged through smokestacks and converts it to energy can substitute electrical power purchased for the utility. In this case, such investment in cogeneration technology benefits the firm and the public by increased energy conservation, thus creating a social and economic value advantage.

3. Findings in this study support Husted and Allen’s (2009), which found that voluntarism can be the most important predictor of economic value creation. SMEs should analyze current business activities to identify opportunities to become early adopters of CSR strategies used to exceed regulatory requirements and industry best practices. For example, the airline firm that exceeds FAA inspection and maintenance requirements provides more customer loyalty and future purchasers. Burke and Logsdon (1996) also suggest that the failure of companies to provide such discretionary offerings leads to the ultimate use of sanctions such as new requirements and mandates. For example, airlines in the 1980s had low performance with respect to on-time arrivals and baggage handling, which led to new requirements for airlines to publicly report such performance metrics in these areas.
4. Research has also shown that SMEs who are highly visible in their communities, due to a lack of resources and size compared to their larger counterparts, should engage in their communities in creative ways to generate earned media coverage (free press) to create value. For example, a local firm that donates time, money, or other resources to a local school in their community as a business partner can earn increased visibility through local press coverage and the school’s media outlets.

5. SMEs may offset any limitations in size and scope of resources compared to their larger counterparts through partnerships, which enables them to leverage their strengths for the purpose of increasing their collective philanthropic and social influence.

6. Studies show that a well-planned and integrated CSR strategy can lead to increased economic value creation. SMEs need to be able to access cost-effective resources such as CSR training modules and learning platforms.

7. Nonprofit organizations may serve as a resource for SMEs to better communicate and collaborate with various stakeholder groups for the purpose of creating a competitive advantage.

**Conclusions**

The purpose of this study was to examine whether an integrated strategy of CSR programs within SMEs can lead to economic value creation. The sources for this study are not exhaustive, and some relevant sources may have been overlooked. The main conclusions from this research offer evidence for the creation of economic value being related to these three particular CSR strategies: centrality, visibility, and voluntarism, as
predicted by Burke and Logsdon (1996). These findings are supported by Torugsa et al. (2012), who found that the probability of proactive CSR did not constitute a business threat or cost burden on SMEs, but rather, a significant scope for enhancing economic value creation, thus contributing to the firm's competitive advantage.

From this research, it does appear that SME strategies in their CSR programs will vary greatly as each SME owner and manager perceives their effectiveness subjectively. From the data in this study, SMEs who specifically seek to develop new business with social objectives, strive to improve the culture of their workforce, and respond to social causes within their communities can increase the firm's ability to create economic value. Similar findings by Loucks, Martens, and Cho (2010) support this research as they, too, found that the best approach for SME value creation is one that can be incorporated into a company's overall business strategy as an integrated whole, as well as one that will help the company to identify new opportunities for business development.

Collectively, these business strategies raise important issues for CSR program effectiveness within SMEs. One possible alternative interpretation of these results of SMEs in the United States may be that SME owners and managers are aware of the need for community involvement, but they are less likely to have "sophisticated divisionalized structures" (Jones and Tilley, 2003, p. 17) for implementation of their CSR programs. Thus, this framework established by Burke and Logsdon (1996), in light of the results of this research, can provide structure for SMEs to yield greater economic value creation in ways that align around these three constructs. Loucks et al. (2010) also posit that as environmental and social concerns become more important to global societies, failure to
recognize such issues as key business concerns and opportunities could expose SMEs to business-threatening risks.

While the literature offers much in the way of theory and CSR strategy, there is more room for additional research overall as it relates to SMEs in the U.S. and globally. Particularly, there is more room for research as it relates to SMEs and their impact on their communities compared to their larger counterparts. In addition, Orlitzky (2001) found that the strength of the relationship between CSR and financial and social performance is less likely to be determined by size alone but rather than by the quality, mission fit, and implementation of the business CSR program that a firm pursues.

Hence, this research provided a snapshot of the level of CSR implementation in SMEs and its perceived effect on economic value creation. However, additional research is needed for a greater understanding as how SMEs can maximize their efforts to deploy effective and comprehensive integrated CSR strategies for value creation and profit attainment. In Table 5.1, the hypotheses are compared to their corresponding literature.
Table 5.1

Comparison of Hypotheses to Corresponding Literature

<table>
<thead>
<tr>
<th>Hypotheses</th>
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<th>Corresponding Literature</th>
<th>Consistent Yes/No</th>
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<td>H1b - Centrality and Profit</td>
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<td>.000</td>
<td>Husted and Allen (2009)</td>
<td>No</td>
</tr>
<tr>
<td>H3a - Proactivity and Value Creation</td>
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<td>Burke &amp; Logsdon (1996)</td>
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<td>H3b - Proactivity and Profit</td>
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<td>Husted and Allen (2009)</td>
<td>No</td>
</tr>
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<td>.129</td>
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<td>Husted and Allen (2009)</td>
<td>Yes</td>
</tr>
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<td>Burke &amp; Logsdon (1996)</td>
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<td>Specificity</td>
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</table>

Note. Sig. Level, \((p < .05)\).

Limitations

The present study appears to be one of the first in the United States to examine SME behavior related to both community involvement and levels of social engagement to determine perceived impact on value creation. It was determined that the instrument had
acceptable reliability and validity, a sufficient sample size with random sampling, and sound data analysis. However, the study has the following limitations:

1. The online survey format allowed respondents to opt out of the survey. While this encouraged participation among potential respondents most interested in the issues of community engagement and social responsibility, it discouraged participation among those least interested.

2. The final data-producing sample was self-selected, introducing a selection bias, which presents a threat to external validity.

3. The sample was a convenience sample from multiple industries largely concentrated in the southeastern United States. Thus, this study may not be generalizable to SMEs in other geographic regions throughout the U.S. or to other countries.

4. The design of the study was non-experimental, which could affect internal validity, making it more difficult to detect a cause-effect relationship between a respondent and the outcome.

5. Due to the lack of objective data on financial performance, profit was measured as a subjective measure based on respondent perception of the relative importance of short-term and long-term profit and cost control.

6. The study did not control for the potential effects of demographic, geographic, and organizational factors on CSR and economic value creation, which might have permitted better analyses of these variables.

7. Knowledge about the relationships between the variables examined in the study was limited to the findings obtained using multiple regression
analyses. Structural equation modeling might have provided additional information about the relationships among the variables in this study.

8. This study did not include management capabilities such as shared vision, stakeholder management, and strategic proactivity. Inclusion of these variables might have also provided additional information about the effect of CSR on economic value creation.

9. This study was limited to SMEs and did not consider the rationale behind small firm decisions to engage in CSR programs.

**Recommendations for Future Studies**

This study was the first to provide research on whether a relationship between strategies in CSR effects economic value creation in SMEs within the United States. Clearly, further research is necessary to understand more fully the behavior and implementation of effective CSR strategy within SMEs in the United States to obtain such value creation. Additional research could lead SMEs to better connect their strategies to that of CSR to create economic value. Several recommendations are suggested as follows:

1. In this study, the expectations established by Burke and Logsdon’s (1996) framework were only partially supported by SMEs in the U.S.

2. To improve the ability to generalize results, future studies should attempt to acquire access to regional and national chambers of commerce lists, National Federation of Independent Business, the Small Business Administration, and other small business databases. Although the sample size was sufficient for multiple regression, because SMEs tend to be heterogeneous by nature, future
studies should look to limit the number of industries or increase the response rate for each industry.

3. Cultural and societal expectations differ across regions and countries. Future research may benefit from a comparison of SMEs from different geographic regions within the U.S. or from other countries.

4. Although subjective measures of financial performance tend to correlate highly to objective financial data (Dess and Robinson, 1984; Homburg et al. 1999), in order to access objective financial data, future research should examine publicly traded SMEs. This would allow for a better comparison of specific objective financial performance data, calculated short and long term profit, and cost controls to be considered both before and after the implementation of specific CSR strategies or programs.

5. In order to better understand potential differences about CSR and economic value creation, future research should control for and compare the potential effects of demographic, geographic, and organizational factors.

6. Structural equation modeling and the inclusion of management capabilities such as shared vision, stakeholder management, and strategic proactivity could provide future studies with more information about the relationships between the variables in this study.

7. Studies have shown differences in the reasons and ability for large and small firms to undertake CSR strategies. Future research should seek to identify these differences.
This study sought to add to the body of knowledge about SMEs and their CSR programs and to find out whether an integrated CSR strategy can lead to *economic value creation* as perceived by SMEs and their owners or managers. Chapter V discussed the results of analyses related to answering the research question and testing the hypotheses that flowed from the research purposes of this study. Findings were interpreted in light of the review of literature and the review of instrumentation. Implications for theory and practice, as well as the conclusions drawn from interpretations were also discussed. The limitations of the study and recommendations for future study were addressed.
REFERENCES


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Appendix A
Survey Questions

Part I: Socio-Demographic Information

Corporate Social Strategy Survey

Introduction:

This survey is part of a study of the ways in which small and medium-size companies in the United States conceive their role in community development and the way in which this can help them to improve their competitive position and economic value. The information provided was confidential and used only for purposes of academic research. The name of your company will not be disclosed within the final report of this research project. You may ask for a copy of the report of the results of this study.

Directions: For the following, please check only one response for each item.

Company information:

1. Gender
   - Female
   - Male

2. Which of the following best describes your position in the company?
   - Owner
   - CEO
   - President
   - CFO
   - Principal
   - Partner
   - Senior Management

3. Race
   - Indian or Alaska Native
   - Asian
   - Black or African
   - Native Hawaiian or Other Pacific Islander
   - White

4. Ethnicity
   - Hispanic/Latino
   - Not Hispanic/Latino

5. What is the highest degree of education you have completed?
Grammar school
High school or equivalent
Vocational/technical school (2 year)
Some college/No degree
Bachelor's degree
Master's degree
Doctoral degree

6. Location of company in the United States by region?
   - Southeast
   - Northeast
   - Northwest
   - Southwest
   - Midwest
   - Mid-Atlantic
   - West Coast
   - East Coast
   - Central Plains

7. Number of employees in your firm?
   - 1-5
   - 5-10
   - 10-50
   - 50-100
   - 100-250
   - 250-500

8. How long have you been an employee of the company?
   - 5 years or less
   - 5-10 years
   - 10-15
   - 15-20
   - 20 years or more

9. Which best describes the type of industry of your company?
   - Retail
   - Services
   - Manufacturing
   - Wholesale
   - Agriculture
   - Special Trade Construction
   - General and Heavy Construction

10. What is the age of your firm?
11. What type of business structure is your company registered as?

- Sole Proprietorship
- Limited Liability Company
- Cooperative
- Corporation
- Partnership
- S Corporation
- Benefits Corporation (B Corporation)

12. What was the range of revenue for your company last year or for new companies, what is the projected range of revenue for this next forecasted year?

- $0 to $25,000
- $25,000 to $50,000
- $50,000 to $100,000
- $100,000 to $250,000
- $250,000 to $500,000
- $500,000 to $1 million
- $1 million to $25 million
- $25 million to $50 million
Part II: Level of firm participation in Community

1. What percent (percent) of sales does the company invest in social or community programs?
   a. 0
   b. 0-01-1
   c. 1-2
   d. 2-5
   e. >5

2. Does your company undertake social or community activities in areas such as education, culture, sports, housing, health, poverty, etc.?
   a. Yes
   b. No

3. If you answered NO to question 2 above, do you believe that your company will participate in one of these areas of social and community interest in the near future?
   a. Yes
   b. No

If your company does not undertake social or community activities, please go to question number 26 in Part I.

Instructions for next set of questions:

Of the following possible objectives for undertaking social or community programs, please indicate to what degree these objectives are shared by your company. Please respond to all statements by picking one of the five numbers next to each question that best represents your response (35 questions for Part I).

<table>
<thead>
<tr>
<th>Number</th>
<th>Question</th>
<th>Not At All</th>
<th>A Little</th>
<th>Somewhat</th>
<th>A Lot</th>
<th>Very Much</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Influence our customer’s buying decisions</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.</td>
<td>Develop new businesses with social objectives</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>Improve employee commitment to the company</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4.</td>
<td>Improve the company’s public image</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5.</td>
<td>Increase the presence of the company in the news media</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6.</td>
<td>Obtain new customers</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Number</td>
<td>Question</td>
<td>Not At All</td>
<td>A Little</td>
<td>Somewhat</td>
<td>A Lot</td>
<td>Very Much</td>
</tr>
<tr>
<td>--------</td>
<td>--------------------------------------------------------------------------</td>
<td>------------</td>
<td>----------</td>
<td>----------</td>
<td>-------</td>
<td>-----------</td>
</tr>
<tr>
<td>7.</td>
<td>Fulfill legal requirements</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8.</td>
<td>Improve relations with public agencies</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>9.</td>
<td>Increase short-term profitability</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>10.</td>
<td>Reduce costs through environmentally friendly technologies</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>11.</td>
<td>Develop new products or services</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>12.</td>
<td>Fulfill our social responsibility</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>13.</td>
<td>Reduce costs through improvements in management processes</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>14.</td>
<td>Follow the usual practice in our industry</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>15.</td>
<td>Open new markets</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>16.</td>
<td>Improve the training of our workforce</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>17.</td>
<td>Obtain favorable tax treatment</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>18.</td>
<td>How developed is your company’s plan to participate in social projects?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>19.</td>
<td>The firm carries out some kind of measurement of the results of its social projects</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>20.</td>
<td>How much company time may employees use each month for community programs?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>21.</td>
<td>Compared to other companies in the industry, how do your firm’s expenditures on social programs compare?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>22.</td>
<td>We scan the social environment in order to</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
Please indicate the relative importance of these strategic objectives:

<table>
<thead>
<tr>
<th>Number</th>
<th>Question</th>
<th>Not At All</th>
<th>A Little</th>
<th>Somewhat</th>
<th>A Lot</th>
<th>Very Much</th>
</tr>
</thead>
<tbody>
<tr>
<td>26.</td>
<td>Short-term profits</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>27.</td>
<td>Long-term profits</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>28.</td>
<td>Innovation of products and services</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>29.</td>
<td>Cost control</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

How important are the following social objectives to your firm’s business mission?

<table>
<thead>
<tr>
<th>Number</th>
<th>Question</th>
<th>Not At All</th>
<th>A Little</th>
<th>Somewhat</th>
<th>A Lot</th>
<th>Very Much</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.</td>
<td>Create employment</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>31.</td>
<td>Collaborate with the community in activities of mutual interest</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>32.</td>
<td>Preserve the natural environment</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>33.</td>
<td>Help with social causes</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
## Part III: Stakeholders and CSR

### Instructions:

Please indicate your level of agreement or disagreement with each of the following statements (16 questions):

<table>
<thead>
<tr>
<th>Number</th>
<th>Question</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Unsure</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The fulfillment of social objectives is necessary in order to achieve the company’s economic objectives</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.</td>
<td>Top management believes and values monitoring new opportunities which can enhance the company’s abilities to solve social problems.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>Top management believes and values the strategic, long-term importance of participative decision-making at middle and senior management levels.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4.</td>
<td>The corporation believes in performing in a manner consistent with the philanthropic and charitable expectations of society.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5.</td>
<td>The company’s philosophy emphasizes participative consensus-seeking decision-making, followed by feedback of results of change for group evaluation and further action.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6.</td>
<td>The company’s philosophy emphasizes viewing philanthropic behavior as a useful measure of corporate performance.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7.</td>
<td>The company’s philosophy emphasizes</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
reliance on the responsible top executives to make all product or service-related decisions concerning level of operations, marketing, etc.

<table>
<thead>
<tr>
<th>Number Question</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Unsure</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Nonprofit organizations (NPOs) are highly salient to our organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>9. NPOs receive a high degree of time and attention from our top management team.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>10. Satisfying the claims of NPOs is important to our management team.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>11. The employees are highly salient to our organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>12. Employees receive a high degree of time and attention from our top management team.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>13. Satisfying the claims of our employees is important to our management team.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>14. The government is highly salient to our organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>15. The government receives a high degree of time and attention from our top management team.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>16. Satisfying the claims of the government is important to our management team.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
Part IV: Industry and Market and Firm Reputation

Instructions:

Please answer to what extent do you agree or disagree with each of the following statements about your firm and/or its principal market? (12 questions)

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Unsure</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Demand for the products/services of your principal industry is growing and will continue to grow.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. Capital expenditures in your firm's principal industry are growing and will continue to grow.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. Margins in your firm's principal industry are declining and will continue to decline.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. Resources for growth and expansion in your industry are readily accessible.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. Customer demand and preferences are relatively stable in your industry.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6. Firm income and profit are relatively stable in your industry.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Compared to other firms in your industry, please rate your firm's ability to interact with a wide variety of stakeholders, especially those with noneconomic goals:

<table>
<thead>
<tr>
<th></th>
<th>Much Worse</th>
<th>Worse</th>
<th>The Same</th>
<th>Better</th>
<th>Much Better</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. Ability to collaborate with stakeholders to find solutions to social problems.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8. Ability to explain the company's point of view to communities and</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
opportunities amidst changes in social expectations and regulations.

| 9. Ability to steer new developments effectively through public consultation processes. | 1 | 2 | 3 | 4 | 5 |
| 10. Ability to spot opportunities amidst changes in social expectations and regulations. | 1 | 2 | 3 | 4 | 5 |
| 11. Ability to innovate and continuously improve operations while improving social impacts. | 1 | 2 | 3 | 4 | 5 |

**Firm Reputation**

| 12. Please indicate the importance that you think social programs developed by your company have or would have on the company’s reputation with customers? | None | Little | Some | Much | Very much |
| | 1 | 2 | 3 | 4 | 5 |

Thank you for your collaboration.
Appendix B
Permission for Instrument Use

On 16/05/2012 11:11 p.m., Christopher Noe wrote:

Dear Dr. Husted and Dr. Allen:

I am a PhD student at Lynn University in Boca Raton, FL beginning my dissertation research on the effects of having an integrated Corporate Social Responsibility strategy within small & medium-sized enterprises for economic value.

In reference to your 2009 article entitled: 'Strategic Corporate Social Responsibility and Value Creation, A Study of Multinational Enterprises in Mexico', from the Management International Review journal, (2009) - I am seeking to apply a similar approach that you and Professor Allen conducted by sending a survey to area chambers to SMEs and wanted to request a copy of your survey instrument and to seek your permission to adopt and adapt your instrument.

I thank you in advance and I found your article on this topic to be a big help in me narrowing down my topic. I am thinking to incorporate some similar questions and to build upon your approach to assess economic value.

I thank you Dr. Husted and Dr. Allen and I look forward to your response.

Sincerely,

Christopher A. Noe
PhD Candidate 2012
Lynn University
Stud. #: 
Cell: 
Personal E-mail: 
Student E-mail: Lynn University -

To: Christopher Noe
Cc: 
Attachments: (2) Download all attachments
Encuesta MNCI April 5.pdf (45 KB) [Open in Browser] Corporate Social Strategy -1.pdf (52 KB) [Open in Browser]

You replied on 5/20/2012 6:01 PM.

Dear Christopher,

Thank you for your interest in our paper. I can provide you a copy of the survey instrument. The instrument itself is in Spanish. Some of the items came from previously developed English-language surveys. Other items were developed directly in Spanish. Only later did we translate the instrument into English. So the instrument as such has never been applied in English and further work may be necessary to establish the reliability and validity of the English-language items.

Good luck!

Bryan

Bryan Husted
Erivan K. Haub Chair in Business and Sustainability
York University
Schulich School of Business, Room N210
4700 Keele Street
Toronto, Ontario
Canada M3J 1P3
Tel.: 
Fax: 

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### Appendix C

**Survey Question/Construct Matrix**

**INDEPENDENT VARIABLES**

**Centrality**

<table>
<thead>
<tr>
<th>Survey Monkey #</th>
<th>Variable Name (SPSS)</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.8</td>
<td>CENT1_PublicRelations</td>
<td>Improves relations with the public agencies</td>
</tr>
<tr>
<td>16.10</td>
<td>CENT2_ReduceCosts</td>
<td>Reduces costs through environmentally friendly technologies</td>
</tr>
<tr>
<td>16.29</td>
<td>CENT3_Collaborate</td>
<td>How important is collaborating with the community in activities of mutual interest?</td>
</tr>
<tr>
<td>16.30</td>
<td>CENT4_NaturalEnvironment</td>
<td>How important is preserving the natural environment to your firm’s business mission?</td>
</tr>
<tr>
<td>16.31</td>
<td>CENT5_SocialCauses</td>
<td>How important is helping or addressing social causes as it relates to your firm’s business mission?</td>
</tr>
<tr>
<td>17.6</td>
<td>CENT6_NPOSalient</td>
<td>Nonprofits (NPOs) are highly salient to our organization</td>
</tr>
<tr>
<td>17.7</td>
<td>CENT7_NPOAttention</td>
<td>NPOs receive a high degree of time and attention from our top management team</td>
</tr>
<tr>
<td>17.8</td>
<td>CENT8_NPOClaims</td>
<td>Satisfying the claims of NPOs is important to our management team</td>
</tr>
<tr>
<td>19.1</td>
<td>CENT9_StakeholderCollaboration</td>
<td>Ability to collaborate with stakeholders to find solutions to social problems</td>
</tr>
</tbody>
</table>

**Specificity**

<table>
<thead>
<tr>
<th>Survey Monkey #</th>
<th>Variable Name (SPSS)</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.2</td>
<td>SPE1_DevelopBiz</td>
<td>Develops new business with social objectives</td>
</tr>
<tr>
<td>16.3</td>
<td>SPE2_ImpEmpCommit</td>
<td>Improves employee commitment to the company</td>
</tr>
<tr>
<td>16.12</td>
<td>SPE3_SocialResponsible</td>
<td>Fulfills our social responsibility</td>
</tr>
<tr>
<td>16.16</td>
<td>SPE4_WorkforceTraining</td>
<td>Improves the training of our workforce</td>
</tr>
<tr>
<td>16.20</td>
<td>SPE5_FirmExpenditures</td>
<td>Compared to other companies in the same industry, how do your firm’s expenditures on social programs compare</td>
</tr>
<tr>
<td>16.28</td>
<td>SPE6_CreateEmployment</td>
<td>How important is creating employment as it relates to social objectives and your firm’s business mission</td>
</tr>
<tr>
<td>17.1</td>
<td>SPE7_SocialObjectives</td>
<td>The fulfillment of social objectives is necessary in order to achieve the company’s economic objectives</td>
</tr>
<tr>
<td>17.3</td>
<td>SPE8_ParticipateDecisionMaking</td>
<td>Top management believes in and values strategic, long-term importance of participative decision-making at middle and senior management levels</td>
</tr>
</tbody>
</table>
### Proactivity

<table>
<thead>
<tr>
<th>Survey Monkey #</th>
<th>Variable Name (SPSS)</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.18</td>
<td>PRO1_PlanParticipate</td>
<td>How developed is your company’s plan to participate in social objectives</td>
</tr>
<tr>
<td>16.19</td>
<td>PRO2_EmpService</td>
<td>Allow us to devote employee time on a monthly basis to engage in social projects</td>
</tr>
<tr>
<td>16.21</td>
<td>PRO3_SocialExpectations</td>
<td>We scan the social environment in order to promote our firm’s compliance with social expectations</td>
</tr>
<tr>
<td>16.22</td>
<td>PRO4_EarlyAdapt</td>
<td>We are usually one of the first to adapt our corporate practices to reflect changing social expectations</td>
</tr>
<tr>
<td>16.23</td>
<td>PRO5_LegislationTrack</td>
<td>We track development of legislation/regulation in order to have corporate compliance mechanisms in place by the time legislation is enacted</td>
</tr>
<tr>
<td>16.24</td>
<td>PRO6_ExceedRegs</td>
<td>Existing corporate practices exceed regulatory requirements</td>
</tr>
<tr>
<td>17.2</td>
<td>PRO7_ManagementMonitor</td>
<td>Top management believes in and values monitoring new opportunities which can enhance the company’s abilities to solve social problems</td>
</tr>
<tr>
<td>17.4</td>
<td>PRO8_PhilanthropicBehavior</td>
<td>The corporation believes in performing in a manner consistent with the philanthropic and charitable expectations of society</td>
</tr>
<tr>
<td>17.5</td>
<td>PRO9_ConsensusFeedback</td>
<td>The company’s philosophy emphasizes participative consensus-seeking decision-making, followed by feedback of results of change for group evaluation and further action</td>
</tr>
<tr>
<td>17.9</td>
<td>PRO10_EmployeeSalient</td>
<td>The employees are highly salient to our organization</td>
</tr>
<tr>
<td>17.10</td>
<td>PRO11_EmployeeAttention</td>
<td>Employees receive a high degree of time and attention from our top management team</td>
</tr>
<tr>
<td>17.11</td>
<td>PRO12_EmployeeClaims</td>
<td>Satisfying claims of our employees is important to our management team</td>
</tr>
<tr>
<td>17.12</td>
<td>PRO13_Government</td>
<td>The government is highly salient to our organization and receives top attention from our top management team and satisfying their claims is important</td>
</tr>
<tr>
<td>19.3</td>
<td>PRO14_SteerDevelopment</td>
<td>Ability to steer new developments effectively through public consultation processes</td>
</tr>
<tr>
<td>19.4</td>
<td>PRO15_SpotOpportunities</td>
<td>Ability to spot opportunities amidst changes in social expectations and regulations</td>
</tr>
</tbody>
</table>

### Visibility

<table>
<thead>
<tr>
<th>Survey Monkey #</th>
<th>Variable Name (SPSS)</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.4</td>
<td>VIS1_PublicImage</td>
<td>Improves the company’s public image</td>
</tr>
<tr>
<td>16.5</td>
<td>VIS2_NewsMedia</td>
<td>Increases the presence of the company in the news media</td>
</tr>
<tr>
<td>19.2</td>
<td>VIS3_Messaging</td>
<td>Ability to explain the company’s point of view to communities and interest groups</td>
</tr>
</tbody>
</table>
Voluntarism

<table>
<thead>
<tr>
<th>Survey Monkey #</th>
<th>Variable Name (SPSS)</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.7</td>
<td>VOL1_LegalRequire</td>
<td>Fulfills legal requirements</td>
</tr>
<tr>
<td>16.14</td>
<td>VOL2_IndustryPractice</td>
<td>Follows the usual practice in our industry</td>
</tr>
<tr>
<td>16.17</td>
<td>VOL3_TaxTreatment</td>
<td>Obtains favorable tax treatment</td>
</tr>
</tbody>
</table>

DEPENDENT VARIABLE CONSTRUCT

Economic Value Creation

<table>
<thead>
<tr>
<th>Survey Monkey #</th>
<th>Variable Name (SPSS)</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Value Creation</strong></td>
<td></td>
</tr>
<tr>
<td>16.1</td>
<td>EVC1_InfluenceBuying</td>
<td>Influences our customer’s buying decisions</td>
</tr>
<tr>
<td>16.6</td>
<td>EVC2_NewCustomers</td>
<td>Obtains new customers naturally and effectively</td>
</tr>
<tr>
<td>16.9</td>
<td>EVC3_IncreaseShortTerm</td>
<td>Increases short-term profitability</td>
</tr>
<tr>
<td>16.11</td>
<td>EVC4_NewProducts</td>
<td>Develops new products or services</td>
</tr>
<tr>
<td>16.13</td>
<td>EVC5_ManageProcess</td>
<td>Reduces costs through improvements in management processes</td>
</tr>
<tr>
<td>16.15</td>
<td>EVC6_NewMarkets</td>
<td>Opens new markets</td>
</tr>
<tr>
<td></td>
<td><strong>Profit</strong></td>
<td></td>
</tr>
<tr>
<td>16.25</td>
<td>EVC7_ShortTermProfits</td>
<td>Indicate the relative importance of short-term profits</td>
</tr>
<tr>
<td>16.26</td>
<td>EVC8_LongTermProfits</td>
<td>Indicate the relative importance of long-term profits</td>
</tr>
<tr>
<td>16.27</td>
<td>EVC9_CostControl</td>
<td>Indicate the relative importance of cost control</td>
</tr>
</tbody>
</table>