

~~**EXPLICIT VS IMPLICIT CSR: DIFFERENCE IN THE APPROACH OF
SMES AND LARGE COMPANIES AND ITS PERFORMANCE IMPLICATIONS**~~

Changed to

**DIFFERENCE IN STAKEHOLDER ENGAGEMENT APPROACH OF
SMES AND LARGE COMPANIES AND ITS PERFORMANCE IMPLICATIONS**

ABSTRACT

Using the explicit and implicit CSR framework, this study investigates how small and medium enterprises (SMEs) and large companies differ in their approach to CSR and what association these differing approaches to CSR have with a company's financial and social performances. We develop and validate a Stakeholder Engagement Approach (SEA) scale and then present the results of data collected from 211 SMEs and 179 large companies. The results indicate that while large companies rely more on explicitly articulated and formally enacted approaches to CSR, SMEs integrate social responsibility into their company activities in informal and implicit ways. The results also show that the explicit approach has a positive association with financial performance measures, while the implicit approach has a positive association with social performance. The findings of this study provide a more nuanced and theoretically grounded understanding of differences in the CSR practices of SMEs and large companies.

Keywords: Stakeholder engagement initiatives, Stakeholder engagement activities, Stakeholder management, CSR and SMEs, Stakeholder engagement and SMEs, CSR-SMEs vs Large Companies

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INTRODUCTION

With the growing awareness of CSR among stakeholders of all types (community members, customers, employees, etc.), companies of all sizes face increasing pressure to focus on CSR activities in a way that enhances their growth and competitive advantage. Comparative research on CSR practices and policies has identified remarkable differences between SMEs and large companies (Moneva-Abadia, Gallardo-Vasquez, Sanchez-Hernandez, 2019). The findings of this research has led some researchers to conclude that SMEs lag behind in the development and adoption of CSR practices and programs (Baumann-Pauly, Wickert, Spence, and Scherer, 013) and are not able to benefit from their engagement in CSR to the same extent as their larger counterparts (Nejati, Quazi, Amra, and Ahmad, 2017). However, others argue that SMEs do in fact engage in socially responsible activities but that the evaluation of CSR activities among SMEs might be better explored using alternative frameworks (Morsing and Perrini, 2009; Cantele and Zardini, 2020). It has also been suggested that in assessing the relationship between CSR and company performance among SMEs, one needs to assess the contribution of CSR to company performance in terms of non-financial rather than exclusively using financial performance measures. Such non-financial measures of performance include increased social capital, which is generally associated with the intangible assets of reputation, trust, legitimacy, and consensus (Spence, 2007), or enhancement of socioemotional wealth, which encapsulates the desire to perpetuate organizational values, conserve social capital and fulfil organizational obligations towards stakeholder groups (Gomez-Mjia, Haynes, Nunez-Nickel, Jacobson, and Moyano-Fuentes, 2007).

PURPOSE OF THIS STUDY

The purpose of the present study is to investigate how the approach to CSR differs among SMEs and large companies and how these differences relate to the CSR-company performance relationship, both in terms of financial and non-financial performance measures. More specifically, this study seeks to

address the following research questions: Is there a difference between the CSR approaches of SMEs and large companies? If so, what is the nature of these differences? And, to what extent do these differences in CSR relate to a company's financial and non-financial performance?

We draw upon Matten and Moon's (2008, 2020) framework of explicit and implicit CSR to investigate how SMEs differ from large companies in their approach to CSR. As the name suggests, an explicit approach to CSR involves overtly articulating company-specific CSR policies and programs of social interest as well as the company's attachment to various stakeholder groups. In contrast, an implicit approach to CSR is rooted in the notion that companies are but one of many bodies that exist within a set of wider formal and informal institutions that serve the interests and concerns of society at large. We first develop and validate a Stakeholder Engagement Approach (SEA) scale that is used to assess the explicit versus implicit approaches that companies may adopt in CSR. We then analyze data and present the results of surveys utilizing this SEA scale, collected from 390 companies, including 211 SMEs and 179 large companies. Finally, we examine the relationship between explicit versus implicit CSR approaches and companies' financial and non-financial performance and provide an interpretive discussion of our findings.

SMEs AND LARGE COMPANIES: DIFFERENCES IN THEIR APPROACH TO CSR AND ASSOCIATION WITH COMPANY PERFORMANCE

A review of the research on the business practices of SMEs reveals that although socially responsible business practices have always been and continue to be part of the day-to-day business activities of SMEs, they are enacted in ways that are not explicitly and formally articulated (Baumann-Pauly et. al., 2013, Stoian and Gillman, 2017; Cantele and Zardini, 2020). It has been noted that SMEs often engage in what has been dubbed as "silent CSR" or "sunken CSR" and that they are often "unknowingly socially responsible" (Jenkins, 2006; Perrini, 2006). SMEs focus their attention on issues that are "closer to home" such as engagement with the community and motivation of employees.

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SMEs' CSR efforts are also linked their owners' or management's philanthropy as well as their efforts to participate in the local community (Jenkins, 2006). Fuller and Tian (2006) found that the manner in which business is conducted in SMEs is largely personal and they argue that the embeddedness of the SME within its stakeholder community plays a large part in shaping the nature of their socially responsible behaviors. Similarly, in their study of Italian SMEs, Russo and Tencati (2009) noted that SMEs maintain a high degree of involvement with employees at different levels within the organization. Such involvement translates to an advantage that allows SMEs not only to create value for employees, but also for the environment and local communities in which they do business.

Past research indicates that while SMEs may be already managing a large number of social, economic, and environmental impact issues, they do not necessarily approach these tasks in the same way as large companies (Wu, 2017, Cantele and Zardini, 2020). In general, SMEs are characterized by less formal structures, looser control systems, less documentation and fewer explicit procedures (Baumann et al. 2013; Castka, Balzarova, Bamber, and Sharp, 2004). They also do not have specialized staff nor do they have the time to produce special reports. In comparing the CSR approach of SMEs and large companies, Russo and Tencati (2009) noted that while SMEs did not formalize CSR practices or integrate these practices into strategic processes, they showed an unwavering commitment to CSR in principle as well as in practice. This commitment to CSR was often anchored in the context of virtuous and principled business practices to which SME managers adhered (Prieto-Sandoval et al. 2019) .

While, for SMEs, CSR is implied in the wider community responsibility and customary societal expectations, the CSR practices of large companies are embedded in a system that afford opportunities and incentivizes them to take explicit responsibility. Examples of explicit CSR can be found in the voluntary initiatives of numerous large companies, which combine social and business value to address issues perceived as being part of the corporate social responsibility and are largely at the corporate

discretion of individual companies. In addition, these companies engage with stakeholder groups in a more formal way and enact social policies and programs based on the perceived expectations of different stakeholder group (Cassely, Revelli, Larbi, and Lacroux, 2020).

Thus, although CSR may be considered strategically significant by both SMEs and large companies, the principles behind its adoption, the manner in which it is articulated and the policies and practices that are pursued are embedded in the business and institutional contexts of these companies. As a result, one would expect differences between SMEs and large companies in terms of their underlying conception of CSR, the CSR issues to which they attend as well as the modes by which CSR is addressed. Therefore, we hypothesize the following:

H 1 (a): Large companies will use explicit CSR more frequently than implicit CSR.

H 1 (b): SMEs will use implicit CSR more frequently than explicit CSR.

CSR Approach and Company Performance

Studies that have examined the association between CSR and performance among large companies have found that CSR initiatives have a greater impact on company's financial performance if the company approaches CSR in a strategic way rather than approaching it based on a generic rationale (Michelon, Boesso and Kumar, 2013). With respect to the relationship between CSR activities of SMEs and company performance, recent research shows that the CSR efforts of SMEs largely involve informal management approaches, lack sophisticated processes and are systematically disadvantaged in light of the increasingly complex reporting expectations of stakeholders (Wu, 2017; Cantele and Zardini, 2020). These weaknesses put SMEs at a disadvantage in their ability to shape stakeholder relationships and to benefit from the value created for different stakeholders (Stoian and Gilman, 2017, Santos, 2011). Given these findings, one is inclined to believe that socially responsible behavior may not contribute to

the financial performance of SMEs the in the same way that it does to large companies. Therefore, we hypothesis that:

H 2 (a): An explicit approach to CSR will have a stronger association with financial performance than an implicit approach to CSR.

However, since implicit CSR initiatives are based on societal expectations, community norms and customary obligations, it appears reasonable to think that such efforts would generate some form of socioemotional wealth because of the manner in which they are embedded in relationships with various stakeholders. As Gómez-Mejía et al. (2007) describe, such socioemotional wealth includes non-financial outcomes that encapsulate a greater desire to perpetuate organizational values, conserve social capital and fulfil organizational obligations rather than focusing strictly on competence-based outcomes¹. Although previous researchers have described such initiatives enacted by SMEs as “sunken CSR” (Perrini et. al., 2006), we argue that such implicit CSR initiatives are not really “sunken”. Rather, such initiatives will help generate social capital (Spence, 2007) in the form of trust and legitimacy. These, in turn, will lead to higher stakeholder satisfaction, which would be associated with enhanced social performance. It is, therefore hypothesized:

H 2 (b): An implicit approach to CSR will have stronger association with social performance than an explicit approach to CSR.

SAMPLE AND DATA COLLECTION

The sample for the present study consisted of 390 companies- 211 SMEs and 179 large MNC. The data for this study comes from a larger database that was collected by authors to examine CSR and stakeholder management practices. The data was collected over a period of two years, roughly in the

¹ The authors would like to thank the anonymous reviewer for suggesting this line of thinking. We also gratefully acknowledge the use of the expression as suggested in the review.

same time period from 113 companies from the US, 115 from Italy and 162 from Japan. Although we used the database for research on other aspects of CSR, the data related to the Stakeholder Management Approach that is used in this study has not been previously used.

The data was collected in the United States and Italy using anonymous questionnaire (in English) that was administered while the managers attended management seminars. In Japan, the data was collected via a mailed questionnaire that was translated into Japanese by a native Japanese co-author. The translation was double-checked by two additional Japanese natives, one a professor of accounting and the other an associate at the Osaka Research Center for Industry and Economy. Both of the individuals conducting the language translation check were proficient in English and due to the nature of their jobs, had a good understanding of CSR. Once translated, the questionnaires were delivered to Japanese companies that were randomly selected from the Establishment Frame Database.

Companies included in the sample represented seven different industries including industrial, pharmaceuticals, fashion, financial services, food, energy and other services. 47% of the managers included in the sample worked in manufacturing organizations, 28% in service organizations and the rest in other mixed activity organizations. 64% of the managers had ten years or more of work experience. As such, the respondents in our sample held positions that allowed them to have an understanding about the CSR and stakeholder management practices of their organizations.

MEASUREMENT

Operationalization and Measurement of Stakeholder Engagement Approach (SEA)

Our literature search revealed no established scale for measuring Stakeholder Engagement Approach (SEA). A review of the extant literature (Aguinis and Glavas, 2012; Ben-Amar and Chelli, 2018; Taras, Steel, and Kirkman, 2011) showed that the vast majority of the CSR studies (e.g. Cassely et

al., 2020; Choi and Wang, 2009; Coombs and Gilley, 2005; Hillman and Keim, 2001; Kumar, Boesso and Michelon, 2016; Sannino, Lucchese, Zampone and Lombardi, 2020) have relied on databases such as the Kinder, Lydenberg, Domini (KLD), the Fortune Index or other databases, all of which evaluate companies in terms of their engagement in and their ability to meet the demands of various stakeholder groups. Other studies (e.g. Lee, Brookshire and Chow, 2018; Russo and Tencati, 2009; Stoker, de Arruda, Mascena, Boaventura, 2020) simply asked the respondents whether or not (or to what extent) they engaged in a list of socially responsible behaviors related to various stakeholder groups.

While using proxy measures from publicly available databases (such as corporate social disclosures and reports) to assess CSR activities offers the advantage of objectivity, it does not provide much insight into the actual approaches adopted by companies in the performance of the CSR initiatives. Since the focus of the present study is to understand differences in the approach to CSR (explicit vs. implicit) rather than merely the presence or absence of stakeholder engagement activities, we chose to develop a multi-item Stakeholder Engagement Approach (SEA) scale. In developing this new SEA scale, we took various precautions to perform validity and reliability tests to ensure the scale's psychometric robustness. These measures are described in more detail in the sections that follow.

The SEA scale utilized Matten and Moon's (2008, 2020) explicit vs implicit CSR framework to assess differences in the way managers approached and responded to various CSR issues. Based on a detailed scholarly review of a myriad of CSR activities (Porter and Kramer, 2006) implemented by organizations of all sizes (from small to large), an initial pool of 12 items with explicit/implicit approaches to stakeholder engagement initiatives was generated. Out of this pool of items, eight items with the highest item-total correlations were used. The other four items, which had low/non-significant item-total correlations, were dropped. Of the remaining eight items, four items reflected an implicit approach, while the other four reflected an explicit approach to managing CSR issues (see Table 2 for

the item's list). These items reflected a variety of CSR actions and initiatives utilized by organizations across industries.

Validity and Reliability of the SEA scale

The content validity of the items used in the SEA scale were assessed using a panel of organizational behavior and strategy researchers. The scale's predictive validity was tested by correlating an item (not included in the SEA scale) that clearly related to "explicit CSR" ("*My company tries to deal effectively with negative impact of its activities*") with the eight items on the SEA scale. This item was both significantly and positively correlated with the items designed to measure "explicit CSR", while it had a non-significant or significant negative correlations with items designed to measure "implicit CSR". We repeated this procedure for assessing the validity of the items designed to measure "implicit CSR" and correlated another item (not included in the SEA scale) that clearly related to "implicit CSR" ("*My company is aware of the social impacts of its activities*"). We obtained similar results in this analysis as well.

Reliability Check

Using a subsample of forty-two participants from the original sample, we conducted a test-retest procedure two months later, with the goal of assessing the reliability of the multi-item scale used to measure explicit and implicit CSR. The test-retest reliability coefficient for the questions ranged from .67 to .88, with a mean reliability of .76, which is greater than the generally accepted level of .70 (Nunnally, 1978).

Measurement of Organizational Performance

A meta-analytic study by Orlitzky et al. (2003) found that while CSR is more highly correlated with accounting-based measures of company performance than it is with market-based indicators, both

contribute to company performance. For an accounting-based measure, we utilized growth in revenue while for the market-based measure, we used improvement in market share. In our study, organizational performance was measured using a subjective rather than an objective approach because many of the small organizations in our sample either did not have reported performance information or were reluctant to provide “hard” performance data. Previous studies that have used both subjective and objective measures of organizational performance have found a strong correlation between the two approaches (Venkatraman and Ramanujam, 1986). In addition, past researchers have asserted that it is appropriate to use subjective measures where objective measures are inappropriate or unavailable (Dess and Robinson 1984).

Both financial and non-financial performance were measured using a modified version of a scale developed by Gupta and Govindrajana (1984). Respondents were first asked to indicate the level of importance their organization attaches to the performance criteria of growth in revenue, improvement in market share on a 5-point Likert scale (1=of little importance and 5=of extreme importance). Next, they were asked to indicate the extent to which their organization was satisfied with their performance along these criteria using another 5-point Likert scale (1=highly dissatisfied and 5=highly satisfied). We measured social performance in the same manner, asking first about the importance of stakeholder engagement initiatives and then asking respondents about their satisfaction with the success of these stakeholder engagement initiatives. For each performance measure, a weighted average was computed by multiplying the "satisfaction" score with the "importance" score.

RESULTS

The data collected in this study allowed us to examine the approach (explicit vs. implicit) that SMEs and large companies take to manage CSR and how the difference in approach may be associated with a company's financial and non-financial performance. First, we generated a correlation matrix to

examine the mean and the standard deviation associated with the various items and checked for multicollinearity. As seen in Table 1, the means associated with various SEA measures have a large spread (.22 to .55), which highlights the variation that exists in the stakeholder management practices of the companies we sampled, while low correlations indicate that the items used to measure both constructs were in fact distinct from each other.

Insert Table 1 about here

Factor Analysis

A factor analysis was conducted in order to identify differences in companies' approaches to the 8-item SEA scale that was developed. We opted to use the Direct Oblimin Method of oblique rotation since there was a reason to believe that there might be a theoretical relationship between the underlying factors. The Kaiser-Meyer Olkin (KMO) and Bartlett's Test measure of sampling adequacy was used to examine the appropriateness of the factor analysis. The approximate of Chi-square is 125.83 ($p=.001$) and the KMO statistic of 0.65 is also large (greater than 0.50). Hence, the factor analysis was an appropriate tool for further analysis.

We extracted two factors (each with Eigenvalues above the rule of thumb of 1), accounting for 42% of the variance in the research model. The results revealed factor loadings such that three items loaded on the first factor while four items loaded on the second factor. Each of these items loaded .5 or higher on one factor and .23 or lower on the other. Only one item ("*The stakeholder management efforts of my company are aimed at managing good citizenship image of the company*") loaded weakly on "implicit CSR". The cross-loading item was removed from the SEA scale, as it did not distinctly load on one or the other construct. A closer examination of the seven items revealed that the scale items

in factor one were all related to “implicit CSR”, while the scale items in factor two were all related to “explicit CSR”. The results of the factor analysis are reported in Table 2.

Insert Table 2 about here

Prevalent Approaches to CSR in SMEs and Large companies

Having validated the SEA scale, we conducted t-tests to examine the differences between SMEs and large companies in their approach to CSR. As shown in Table 3, in support of Hypothesis 1a, the results of our first t-test reveal that large companies use an explicit approach to CSR more often than the implicit approach ($M_{\text{explicit}}=1.43$ vs. $M_{\text{implicit}}=1.22$, $t=17.01$, $p<.01$). As shown in Table 4, in support of Hypothesis 1b, the results of a second t-test reveal that small companies use an implicit approach to CSR more often than explicit approach ($M_{\text{implicit}}= 1.09$ vs. $M_{\text{explicit}}= 0.72$, $t=17.23$, $p<.001$).

Insert Table 3 and Table 4 about here

Next, to understand the nuanced differences in the stakeholder engagement approaches of SMEs and large companies, we conducted a Multivariate Analysis of Variance (MANOVA) looking at each of the eight individual items included in the explicit vs. implicit CSR scale. The results of this analysis (presented in Table 5) show significant differences in terms of four of the eight items. A closer look at these item shows that large companies view stakeholder engagement initiatives as a way of enhancing reputation and improving competitiveness. They also appear to take a strategic approach to CSR. SMEs, on the other hand, approach CSR initiatives as a way of integrating social needs and community expectations with their business activities.

Insert Table 5 about here

Approach to CSR and Company Performance

Having established that there were in fact differences in the CSR approach (implicit vs. explicit) between large companies and SMEs, we then sought to test the association between approaches to CSR and company performance, both in terms of financial and social performance. We tested the relationship between CSR and company performance using OLS regression analyses, with explicit and implicit CSR as independent variables and growth in revenue and improvement in market share as dependent variables to measure company's financial performance and social performance to measure company's non-financial performance.

We included size of the company and competitive position as control variables, based on the recommendations of previous researchers (Brammer, Brooks & Pavelin, 2006; Cassely et al. 2020; Coombs and Gilley, 2005). As companies grow in size, they are more likely to face stakeholder pressure and thus more likely to engage in CSR initiatives (Burke, Logsdon, Mitchell, Reiner and Vogel, 1986). We also controlled for competitive position of the company because companies with stronger competitive positions are more likely to adopt CSR initiatives to positively influence their stakeholders (Stoian and Gilman, 2017). In addition, since the data was collected from companies that belonged to different countries, we also controlled for the country of origin (Ben-Amar and Chelli, 2018). The results of the regression analyses (presented in Table 6) show that while explicit CSR has a positive and significant association with both measures of financial performance, implicit CSR has no significant association with either of them. On the contrary, the results show that social performance has a positive significant association with implicit CSR and no significant association with explicit CSR.

Insert Table 6 about here

Predictive Validity of the Study's Framework

Since the goal of the present study was to examine differences in the CSR approaches of SMEs and large companies, we tested the predictive probability of the differences found in the results using a logistic regression analysis, which estimates the probability of a binary response based on one or more predictor variable with a goal of correctly predicting the category of outcome for individual cases using the most parsimonious model. Based on the rationale provided above, we once again included size of the company, competitive position and country of origin as control variables (Ben-Amar and Chelli, 2018).

As shown in Table 7, we found that when we “fit” the regression model to the data, the Logit model has a good fit (using chi-square as the measure of fit) for SMEs and large companies (78%). These results provide further evidence that in fact, SMEs and large companies do indeed approach the stakeholder engagement initiatives associated with CSR differently.

DISCUSSION

The present study drew upon the explicit and implicit CSR framework to investigate how SMEs and large companies differ in their approach to CSR and to determine if the difference in their approach to CSR is associated with differences in their financial and non-financial performance. The results of our study showed that while large companies rely more on an explicitly articulated and formally enacted approach to CSR, SMEs appear to develop their own informal and implicit ways of integrating social responsibility into their company activities. These findings confirm the observations made by previous researchers who have noted that implementing CSR in SMEs is not necessarily the same as in large companies (Tilley, 2000). Thus, even though CSR appears to be considered significant by both SMEs and large companies, the principles behind its adoption appear to be embedded in the business and institutional contexts that are specific to SMEs and large companies.

The fact that large companies were making more frequent use of the explicit approach to CSR than SMEs is not entirely surprising since it is commonly acknowledged that large companies generally explicitly articulate their CSR. Large companies also appear to make more active efforts towards stakeholder engagement, enact more frequently policies and programs that combine both social and business value propositions, and more explicitly communicate claims regarding their socially responsible behaviors. For SMEs, CSR is often implied in the wider community responsibility and customary societal expectations. Not only is what constitutes CSR different for SMEs and large companies, but the manner in which CSR initiatives are implemented in SMEs is also different from large companies. SMEs act in a socially responsible manner more frequently than large companies by complying with customary societal expectations, and accounting for the interests and concerns of the community in which they operate. They also make less frequent company-specific claims of socially responsible behaviors, since they view socially responsible business practices as part of their day to day business activities and not an additionally mandated responsibility to be reported.

With respect to the relationship between a company's CSR approach and its financial performance, it appears that the implicit and informal approach to CSR adopted by SMEs puts them in a position of disadvantage compared to large companies. In terms of both measures of financial performance (growth in revenue and growth in market share), the explicit approach adopted by large companies has a much stronger and significant association with the two performance measures. One can also infer from these results that SMEs' plan and implement social engagements in a less strategic way, and that their social engagement initiatives generate less financially viable business value propositions.

However, when performance is measured in non-financial terms, the results are somewhat of a contrast. The implicit approach to CSR, adopted more frequently by the SMEs, has a much stronger and significant association with social performance. It appears that the CSR efforts of SMEs, which result

from collective and normative deliberations of players involved in their institutional context, helps them fulfil the concerns and interests of their stakeholders more effectively. In effect, it helps them generate what has been called as “social capital”: (Spence, 2007), which manifests in the gains of intangible assets, such as reputation, trust and legitimacy.

CONCLUSIONS AND LIMITATIONS

It has been observed that SMEs should not be thought of as merely being miniature clones of large companies (Tilley, 2000). The nature of the practices and approaches to CSR activities in SMEs are intrinsically different than that of their larger counterparts (Spence, 2007), as are a multitude of other factors, including the amount of resources available to them, the type of managerial values that prevail as well as the level of engagement with stakeholders (Cantele and Zardini, 2020; Coppa and Sriramesh, 2013). The results of the present study corroborate this and further show that the best approach to understanding the CSR-company performance relationship in SMEs might not be the same as the lens used to understand the approach to CSR undertaken by large companies.

Based on the findings of our study, one can say that although SMEs may have some policies and programs that are similar to that of large companies but that these policies and programs emanate from societal norms associated with expectations of different stakeholder groups and are embedded in customary relationships. From the CSR-company performance point of view, the approach adopted by SMEs does not appear to contribute to their growth or competitive advantage. However, when performance is measured in non-financial terms, the results are in contrast. The implicit approach adopted more frequently by the SMEs helps them better fulfil the concerns, interests and expectations of their stakeholders. In effect, it helps them generate and accrue what has been described as “social capital” (Spence, 2007) or socio-emotional wealth, which is manifest in intangible assets, such as reputation, trust and legitimacy (Gomez-Mejia et al., 2007).

The present study makes contributions to both theory and practice. First, we contribute to the debate on CSR adoption by SMEs by using a well-established theoretical framework (explicit versus implicit CSR) to examine differences in the CSR approaches of SMEs and large companies. We believe that such an investigation resulted in a more nuanced and theoretically grounded understanding of the differences in the CSR practices of SMEs and large companies. Second, we contribute to the ongoing debate regarding CSR and company performance, as it relates to SMEs and provide additional insights into the likely contribution of CSR to the non-financial performance of SMEs.

From the practitioner perspective given the increasingly important role that CSR appears to be playing in the competitive success of companies, both large and small, one should not discount these findings. Although one does not expect SMEs to replicate what large companies are doing by way of CSR, knowing which CSR activities contribute to company growth is crucial to the success of CSR among SMEs. Given the higher constraints that SMEs face on their resources, they need to focus on those CSR activities that are more likely to contribute to their competitive advantage and enhanced growth. In this regard, the first challenge for social policy makers rests in creating an increased awareness among SMEs about adopting CSR measures in a more effective manner. Next, they need to formulate policies and plans that would facilitate increased systematic adoption of CSR by SMEs.

Finally, we would like to acknowledge the limitations associated with the findings of our study. This study is based on survey data, which by its very nature is a perceptual measure. The data was collected from three different countries. Although this enhances the generalizability of the findings, it also creates opportunities for confounding effects. Similarly, even though the reliability and validity of the scale constructed to measure Stakeholder Engagement Approach was established, it needs to be revalidated by other researchers, using other methodologies. Despite these limitations, this study does create potential for future research. The finding that the approach to CSR adopted by SMEs puts them

at a competitive disadvantage, can be examined on longitudinal bases. On the other hand, the finding that the implicit approach adopted by the SMEs is more strongly associated with social performance, opens up an entirely new avenue for future research. Future researchers could develop more robust and multi-dimensional measures of social performance to develop a better understanding of CSR and its outcomes among SMEs vis-à-vis large companies.

Table 1

MEAN, STANDARD DEVIATIONS AND CORRELATION: ALL VARIABLES (N=390)

| | Mean | SD | SE1 | SE2 | SE3 | SE4 | SE5 | SE6 | SE7 | SE8 | RG | MS | SP | SZ | IM | EX |
|------------|-------|------|-----|------|-----|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| SE1 | 0.40 | 0.49 | 1 | .13* | .03 | .22** | .22** | .30** | 0.04 | .11 | .18** | .20** | -.00 | .31** | .16** | .69** |
| SE2 | 0.55 | 0.50 | | 1 | .04 | .18** | .18** | .09 | .19** | .01 | .03 | .03 | .02 | .03 | .00 | .18** |
| SE3 | 0.45 | 0.50 | | | 1 | .14** | .11* | .13** | .18** | .23** | -.02 | -.08 | -.08 | .09 | .67** | .12* |
| SE4 | 0.25 | 0.43 | | | | 1 | .31** | .30** | .23** | .12 | .19** | .16** | .04 | .19** | .21** | .69** |
| SE5 | 0.41 | 0.49 | | | | | 1 | .32** | .04 | .13 | .21** | .29** | .05 | .23** | .18** | .73** |
| SE6 | 0.22 | 0.41 | | | | | | 1 | .13 | .05 | .15** | .15** | .10* | .31** | .26** | .43** |
| SE7 | 0.30 | 0.46 | | | | | | | 1 | .21** | .06 | .04 | .10* | -.07 | .25** | .09 |
| SE8 | 0.44 | 0.50 | | | | | | | | 1 | .00 | .02 | -.03 | -.06 | .70** | .07 |
| RG | 11.79 | 6.81 | | | | | | | | | 1 | .69** | .10* | .29** | .07 | .27** |
| MS | 11.06 | 6.56 | | | | | | | | | | 1 | .14** | .31** | .03 | .31** |
| SP | 11.99 | 2.31 | | | | | | | | | | | 1 | -.02 | -.07 | .04 |
| SZ | 0.54 | 0.50 | | | | | | | | | | | | 1 | -.07 | .35** |
| IM | 1.15 | 0.94 | | | | | | | | | | | | | 1 | .06 |
| EX | 1.05 | 1.00 | | | | | | | | | | | | | | 1 |

SE1..SE8=Stakeholder Engagement Approach, RG=Growth in Revenue, MS=Increase in Market Share, SP= Social Performance, SZ=Size, IM=Implicit Stakeholder Engagement Approach, EX=Explicit Stakeholder Engagement Approach ** p<.01, * p<.05

Table 2
FACTOR ANALYSIS: Stakeholder Engagement Approach

| Scale Item | Factor 1 "Implicit CSR" | Factor 2 "Explicit CSR" |
|--|----------------------------|----------------------------|
| 1: My company is actively involved in constructive dialogue with stakeholders (local government, regulators, local community/organizations) to identify issues that matter to them | -.15 | .66 |
| 2: The stakeholder management efforts of my companies are generally aimed at managing good citizenship image of the company | .32 | .13 |
| 3: My company tries to find ways to reinforce company's business by advancing social conditions | .71 | .01 |
| 4: Corporate philanthropy in my company has clear measurable goals and results are tracked over time | .21 | .63 |
| 5: My company takes pride in its positive involvement in the community | .10 | .67 |
| 6: My company has invested in social aspects in ways that improves its competitiveness | .17 | .67 |
| 7: My company attempts to incorporate social dimensions that will create social impact to its business decision | .62 | .23 |
| 8: My company's business activities are aimed at integrating business with social needs | .65 | .09 |
| Cumulative Variance | | 42.30% |

Table 3**T Test: Implicit and Explicit CSR in Large Companies**

| Company Type | Approach to CSR | N | Mean | Delta | T | Sig. |
|---------------------|------------------------|----------|-------------|--------------|----------|-------------|
| LARGE COMPANIES | Implicit | 179 | 1.22 | .21 | 17.05 | *** |
| | Explicit | 179 | 1.43 | | | |

Table 4**T Test: Implicit and Explicit CSR in SMEs**

| Company Type | Approach to CSR | N | Mean | Delta | T | Sig. |
|---------------------|------------------------|----------|-------------|--------------|----------|-------------|
| SMEs | Implicit | 211 | 1.09 | .37 | 17.23 | *** |
| | Explicit | 211 | .72 | | | |

Table 5**MANOVA: Stakeholder Engagement Approach-SMES and Large Companies**

| Stakeholder Engagement | Size | N | Mean | SD | F | Sig. |
|------------------------|--------------|-----|------------|-----|-------|------|
| Initiatives | | | | | | |
| SEA 1 | Large | 179 | .56 | .49 | 42.42 | *** |
| | SME | 211 | .26 | .43 | | |
| SEA 2 | Large | | .54 | .50 | .40 | NS |
| | SME | | .57 | .51 | | |
| SEA 3 | Large | | .40 | .49 | 3.29 | NS |
| | SME | | .49 | .50 | | |
| SEA 4 | Large | | .34 | .47 | 15.52 | ** |
| | SME | | .17 | .37 | | |
| SEA 5 | Large | | .53 | .50 | 22.81 | *** |
| | SME | | .30 | .45 | | |
| SEA 6 | Large | | .36 | .48 | 41.67 | *** |
| | SME | | .10 | .30 | | |
| SEA 7 | Large | | .34 | .47 | 1.95 | NS |
| | SME | | .27 | .44 | | |
| SEA 8 | Large | | .47 | .50 | 1.49 | NS |
| | SME | | .41 | .49 | | |

***p<0.00; **p<0.01; *p<0.05

Table 6
OLS Regression: Approach to CSR and Company Performance

| Independent Variables | Dependent Variable | | |
|-----------------------|--------------------|--------------------|--------------------|
| | Market Share | Growth in Revenue | Social Performance |
| IMPLICIT | -.16 (.32) | .14 (.34) | .25 * (.13) |
| EXPLICIT | 1.17 *** (.32) | 1.00 *** (.34) | .13 (.13) |
| Size | -1.09 (.70) | -1.34 (.75) | .03 (.28) |
| Comp. Aavg | 2.48 *** (.38) | 2.24 *** (.41) | .42 *** (.15) |
| Country | -1.57 *** (.41) | -1.29 *** (.44) | .05 (.16) |
| Constant | 7.41 *** (1.39) | 8.12 *** (1.49) | .94 (.56) |
| R2 | .26 | .20 | .17 |
| F | 26.24 *** | 19.13 *** | 2.28 * |
| N | 387 | 387 | 387 |

*** p<0.00, * p<0.01. Std. Err. in parentheses

Table 7
Logistic regression

| Companies (Small 1, Large 0) | | | |
|---------------------------------|------|--------|------|
| | B | Wald | Sig. |
| IMPLICIT | -.12 | .78 | NS |
| EXPLICIT | -.52 | 15.35 | *** |
| Comp. Advg. | -.53 | 10.01 | *** |
| Country | 1.29 | 64.58 | *** |
| Costant | -.41 | .55 | NS |
| % correctly classified | | 78% | |
| Chi-square | | 140.44 | .00 |
| Nagelkerke R2 | | .41 | |

***p<0.001,** p<0.01, *p<0.05

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**DIFFERENCE IN STAKEHOLDER ENGAGEMENT APPROACH OF
SMES AND LARGE COMPANIES AND ITS PERFORMANCE IMPLICATIONS**

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