CORPORATE SOCIAL RESPONSIBILITY AND PERFORMANCE:

A STUDY OF SMALL BUSINESSES IN THE UNITED STATES

A

Dissertation

Presented to the

Graduate Faculty of the

School of Management

Alliant International University

In Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

By

Supaporn Srichatsuwan

San Diego, 2014

Abstract

THE PROBLEM. The purpose of this study was to investigate variables that relate to the development of an effective CSR strategy to improve a company's performance.

METHOD. Sixty-five valid responses from owners and managers of small businesses in the United States were received via online survey. The variables measured by the surveys were CSR turbulence, CSR strategic aggressiveness, CSR capability responsiveness, CSR strategic posture, social performance, and financial performance. Additionally, three gap variables were calculated to evaluate the alignment between CSR turbulence and CSR strategic aggressiveness, CSR turbulence and CSR capability responsiveness, and CSR turbulence and CSR strategic posture. Pearson's Correlation was used to analyze the relationships among variables.

RESULTS. There were positive relationships between the variables with a statistical significance at $p < .01$. However, the relationships between social performance and CSR strategic aggressiveness gap, CSR capability responsiveness gap, and CSR strategic posture gap, respectively, were not postulated to be positive. Therefore, the results indicated that a company benefits by its social performance regardless of the alignment between its CSR strategic aggressiveness, CSR capability responsiveness, CSR strategic posture, and the complexity and rapidity of change with the company's external CSR issues.

Positive correlations between a company's CSR strategic aggressiveness, CSR capability responsiveness, and CSR strategic posture showed that a company that proactively develops CSR programs tends to initiate CSR strategy. In addition, the study showed a positive relationship between CSR strategic posture and social performance, which indicated a company that postures its CSR practices proactively tends to have higher social performance than a company that postures its CSR practices less proactively or at a reactive posture.

Lastly, a positive relationship between a company's social performance and financial performance was found in this study. The result suggested a business case for CSR in small business since companies that score high in social performance tend to score high in financial performance.

KEYWORDS: Corporate Social Responsibility, CSR, Strategic Posture, Social Performance, Small Business

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Dedication

To my whole family, you are my biggest fans in the world. Each of your unlimited and unconditional love kept me driven each day. Thank you for never leaving me to walk alone on this long journey. I love you all very much. To my Dad and Mom, I am very proud to be your daughter – I dedicate my dissertation to you.

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CHAPTER 1: INTRODUCTION

The Research Problem

This chapter includes an introduction, definition of corporate social responsibility (CSR), definition of small business, background of the problem, statement of the problem, and expected contributions of this study to academic literature and business practitioners.

Introduction

In past decades, Corporate Social Responsibility (CSR) has gained greater interest to both academics and business practitioners. With public pressure for transparency and social accountability from businesses, the idea of "doing good while doing well" has become one of the dilemmas in management. As a result, literature on CSR has been increasing in number and broadening in perspective (Carroll & Shabana, 2010; Kurucz, Colbert, & Wheeler, 2008). This study aimed to add to existing CSR literature by connecting it with strategic management literature by applying elements of Ansoff's Strategic Success Model to examine the success of CSR strategy. Further, the study was designed to investigate the relationship between a company's CSR turbulence, CSR strategic aggressiveness, CSR capability responsiveness, CSR strategic posture, and performance of the company.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) appeared in literature as far back as the 1930s. In its early stage, CSR research focused only on developing a definition of the concept (Carroll, 1999). In 1953, the landmark publication of Howard R. Bowen arguably marks the beginning of the modern period of literature on the subject of CSR. In his book

Social Responsibilities of the Businessman, Bowen (1953, p. 6) defined CSR as "the obligations of businessmen to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objective and values of our society". His work influenced CSR research throughout the 1960s and 1970s (Carroll, 1999). During that period, CSR conceptual frameworks were built around ethical and social welfare, with few studies relating CSR to a company's strategic management (Acquier, Gond, & Pasquero, 2011). As Bowen's work brought attention to many academics, his doctrine of social responsibility also created awareness among business practitioners to consider social responsibility issues in their businesses.

Since the late 1990s, the concept of CSR has grown beyond moral and environmental legislation (Moir, 2001), and presently, there are a number of studies under the CSR umbrella. As a result, existing CSR literature encompasses many different perspectives. Therefore, it is common to observe studies that overlap between CSR and other theories including corporate citizenship, corporate social performance, corporate social responsiveness, and corporate sustainability (Valor, 2005). Further, CSR includes additional definitions concerning theoretical and practical issues. As the concept of CSR has broadened in the past fifteen years, the definition of CSR has also changed resulting in over 30 different definitions of CSR used in the existing literature without a current, universally accepted CRS definition (Dahlsrud, 2008).

For instance, the World Business Council for Sustainable Development (WBCSD) defines CSR as the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large (WBCSD, 2010). On the other hand, according to the United Nations Industrial Development Organization (UNIDO), CSR is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally agreed as being the way through which a company achieves a balance of economic, environmental, and social imperatives ("Triple-Bottom-Line Approach"), while at the same time addressing the expectations of shareholders and stakeholders (UNIDO, 2012). The European Commission defined CSR as "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (European Commission, 2012). In October 2011, European Commission proposed a new definition of CSR as "the responsibility of enterprises for their impact on society". In order to satisfy their corporate social responsibility, companies must have a business operations and strategy process in place to integrate the demands of their consumers with social, environmental, ethical, and human rights issues (A Renewed EU Strategy, 2011).

However, the concept of CSR is complicated and ambiguous since there is no overall agreement or consensus on a specific definition, making theoretical development and measurement difficult (McWilliams, Siegel, & Wright, 2005). Therefore, clarifying a CSR meaning is necessary to construct further analysis. After thoroughly reviewing CSR in small business literature, the most observed and accepted definition by scholars is the European Commission's earlier definition. This definition had been verified in previous empirical studies, and as a result, this CSR definition was used to define CSR in this study. Furthermore, at the time of researching this study, the European Commission's definition of CSR was the only definition that was developed specifically for the small business sector, which was the scope of the present study.

Small Business

There is no single, globally accepted definition of small business as there are varied definitions depending on the country in which the small business operates. As a result, the term "small business" will be used interchangeably with small and medium-sized enterprises (SMEs) throughout this study. Among the European Union, SMEs are defined as enterprises with fewer than 250 employees. In the United States, the U.S. Small Business Administration Office of Advocacy (SBA) defined small business as

"A small business concern as one that is independently owned and operated, is organized for profit, and is not dominant in its field. Depending on the industry, size standard eligibility is based on the average number of employees for the preceding twelve months or on sales volume averaged over a three-year period" (SBA, 2012).

SBA's office of advocacy defined a small business as an independent business having fewer than 500 employees. SBA classified its size standards by applying NAICS codes for all Federal government programs. Business establishments were also categorized by the North American Industry Classification System (NAICS) in order to collect, analyze, and publish statistical data related to the U.S. economy. The NAICS industry codes classified businesses according to their principle productions, not their products, and this code was applied for administrative, contracting, and tax purposes. For example, once the federal government plans to purchase products or services, the suitable NAICS codes with its procurement would be applied. Any businesses that had the same

NAICS codes as the procurement would be eligible to bid or make a sales offer.

Due to the variability in industries, according to the SBA, the size standard to be eligible to qualify as a small business is dependent on either the average amount of employees in the last twelve months or the average amount of sales volume over a three-year period. For example, a manufacturing business could have between 500 to 1,500 employees, depending on their manufactured product types. Wholesaling industries can have employees ranging from 100 to 500 employees, depending on product specifications. Service businesses must have maximum annual revenue ranging from $2.5 to $21.5 million, which is determined by their specific service being provided. Retail businesses must have annual income between $5 and $21 million, depending on types of products that they provide. General and heavy construction must not exceed $13.5 to $17 million in annual receipts. Lastly, special trade construction's annual gain is not to exceed $7 million (SBA, 2012).

Small business is by far the most common form of private business in both developed and developing countries (Euro Commission, 2012), and drives the economies of countries around the world (UNIDO, 2002). In 2010, there were 27.9 million small businesses in the United States. They represent more than 98% of all employers and employed 49.2% of private sector workers in 2009. With the weak employment situation in 2008 and 2009, small business in the United States represented 64% or 11.8 million of the net new private-sector jobs from 1993 to 2011 (SBA Frequently asked Questions, 2012). As a result, the success of small business and job creation rate are important to the United States' economy, as they are in most economies around the world.

Background of the Problem

General Background of the Problem

In the past, social responsibility was limited to the public sector: government and non-government organizations (NGOs). Presently, the concept of social responsibility has expanded to include the private sector and for-profit organizations. "Doing well while doing good" has become a mantra of companies within the last decade, and most executives believe that CSR can improve their profits. In 2007, an online survey of 1,122 global executives by the Economist Intelligence Unit (EIU) reported an estimated 55% of business leaders rated corporate responsibility as a high or very high priority, and this number was projected to increase to 70% by 2010. In addition, only 4% of the respondents thought that CSR was a waste of time and money (The Economist, 2008). Companies believe that CSR practices help promote sales, lower costs, build good reputations, invite better personnel to the company, and help attract investment from socially conscious investors such as Sustainable and Responsible Investing (SRI) (UNIDO, 2012).

Currently, the concept of CSR includes a vast range of activities from philanthropy, volunteering, practicing human rights, cause-marketing programs, environmental management, helping to ease poverty, and to saving the entire planet (UNIDO, 2002). As a result, companies often find it difficult to know what to focus on since managers are simultaneously facing challenges to make decisions without unnecessarily increasing expenses or reducing profits. Furthermore, no company has the resources to solve all social issues. Although many companies, such as Wholefoods, have been successful engaging in CSR business practices, many other companies are still struggling with the CSR concept (Porter & Kramen, 2006). This is because applying the same CSR activities among different companies does not promise the same payoffs. As stated by Ansoff, ".... the tradition of universal prescriptions for management of all firms must give way to a tailored approach in which each firm identifies its own future challenges and develops its own response" (Ansoff & McDonnell, 1990 p. 29). There is no one-strategy that fits all. In 2002 and 2006, Porter built a powerful argument and introduced a new concept of CSR that was considered CSR strategy. Although great ideas and frameworks were presented in his work, there were gaps between theory and practice that still need to be addressed.

The concept of CSR is expected to expand even more within the next ten years, and managers will need to learn how to keep up with the change. The question asked by many practitioners will shift focus from "Should we engage in CSR practices?" to "Which CSR is right for us?", and "How we can get the most out of CSR practices?" As a result, there is a crucial need for a study on how to identify CSR opportunities and threats, how a company can successfully integrate and embed CSR into its business strategy, and how to measure the effectiveness of a CSR strategy. A company that captures the right opportunities and responds to threats in time is expected to gain long-term competitiveness (Ansoff & McDonnell, 1990).

Academic Background of the Problem

In the last decade, there was a growing recognition of the importance of business ethics and social responsibility for small business. As stated in the United Nations Global Compact in 2007, "the concept of corporate social responsibility is strongly affecting small and medium-sized enterprises (SMEs). Supply chain relationships, implementation problems, the development of legislation and international standardization and certification, and notably, the extension of the United Nations Global Compact initiative, has brought the debate to the local level" (UN Global Compact, 2007). Small businesses are challenged with limited critical mass, strategic budget limitations, misalignment of managerial capabilities, and budget constraints affecting managerial capacity (Jenkins, 2004). Further, since small businesses are often privately owned, they are infrequently subjected to pressure from institutional investors to pursue CSR. Most small businesses purse CSR due to the owner and/or manager's will. Although many studies have been conducted to help managers understand CSR, a majority of them were built to fit the nature of large corporations that have more resources and capabilities than small businesses. Therefore, many small businesses have been forced to use tools and CSR strategies not specifically designed for them. This has led to an increase in studies of CSR in small business (Spence, Schmidpeter, & Habisch, 2003; Jenkins, 2004, 2009; Murillo & Lozano 2009). Nonetheless, since small businesses have difficulties when attempting to modify CSR strategy designed for large businesses, and there are only a few studies on CSR strategic behavior for small businesses in the United States, there is a large gap in CRS small business research. This study aimed to fill the gap.

In addition to studying the relationship between CSR and a company's performance, no prior research has studied the relationships between the environmental turbulence of CSR, CSR strategic aggressiveness, CSR capability responsiveness, CSR strategic posture, and performance of small businesses. The present study planned to add this data to the existing literature.

Statement of the Problem

The concept of CSR has become more extensive over the last decade (Carroll & Shabana, 2010). While a large number of articles have described and stated the importance of CSR, only a few have examined CSR through a strategic management lens. However, while the interest on successfully integrating CSR ideas into business strategy has progressed in recent years, few empirical studies have provided data and results that answer the question of how to integrate CSR strategy (Bhattacharyya, 2009).

There is a need for studies on CSR in small businesses since small businesses drive the economies in many countries, including the United States. Thus, the study of CSR in small business needs to be enhanced as small business represents a large proportion of the economy and employment. The purpose of this study was to create a holistic understanding of CSR strategy in small business. By using concepts of CSR from business and societal perspectives, a model for this study was constructed. The study's focus was not limited to clarifying a CSR definition, but was designed to examine the relationship between CSR strategy and company performance.

Ansoff's Strategic Success Model and CSR strategic posture were used to develop the model of this study. In his model, Ansoff argued that a company performance is optimal when its strategic aggressiveness and its capability responsiveness align with its level of environmental turbulence. This study applied Ansoff's model to investigate CSR strategic behaviors of small businesses in the United States. The study intended to examine the relationships between various factors involved in developing high performance using strategic CSR. As a result, the study aimed to provide top executives and CSR managers a better understanding of how to obtain optimal performance in their companies by integrating CSR strategy into their business strategy.

Expected Contributions of the Current Study

This study extended previous social responsibility and strategic management studies by studying small businesses in the United States. Further, this study was designed to validate the relationship between a company's CSR strategy and performance of the company.

Contributions to Academic Literature

The expected strategic management contributions from this study include:

- providing empirical evidence about the relationships between level of CSR turbulence and the impact on CSR strategy;
- investigating the importance of the interrelationship between CSR strategic posture and the Ansoff and McDonnell (1990) Strategic Success Model;
- showing an empirical relationship between a company's CSR strategic posture and the company's performance; and
- testing the relationship between a company's social performance and financial performance.

Contributions to Business Practitioners

This study is expected to provide owners and managers of small businesses a practical framework for planning and implementing their CSR strategies to improve the performance of their companies, both socially and financially. Hence, owners and managers of small businesses can apply framework to assist their decision-making processes including developing CSR goals and embedding them in business operations. The outcomes of this study are expected to help owners and managers decide which CSR activities should be integrated to their business strategy in order to gain optimal performance.

CHAPTER 2A

Theoretical Framework

The general theoretical framework for this study is presented in two chapters. Chapter 2A presents a global model and a literature review of the relevant theories underlying the study, and Chapter 2B presents the research model, research questions, and hypotheses. The conceptual and operational definitions of the variables are also included within the literature review in Chapter 2B.

Global Model

This section presents the key theoretical concepts and foundations of this study through a global model, which provides a more complete picture of this study's conceptual model. The global model illustrates attributes that may affect a company's business strategic posture, the company's CSR strategic posture, and the performance of the company. The global model of this study is illustrated in Figure 1.

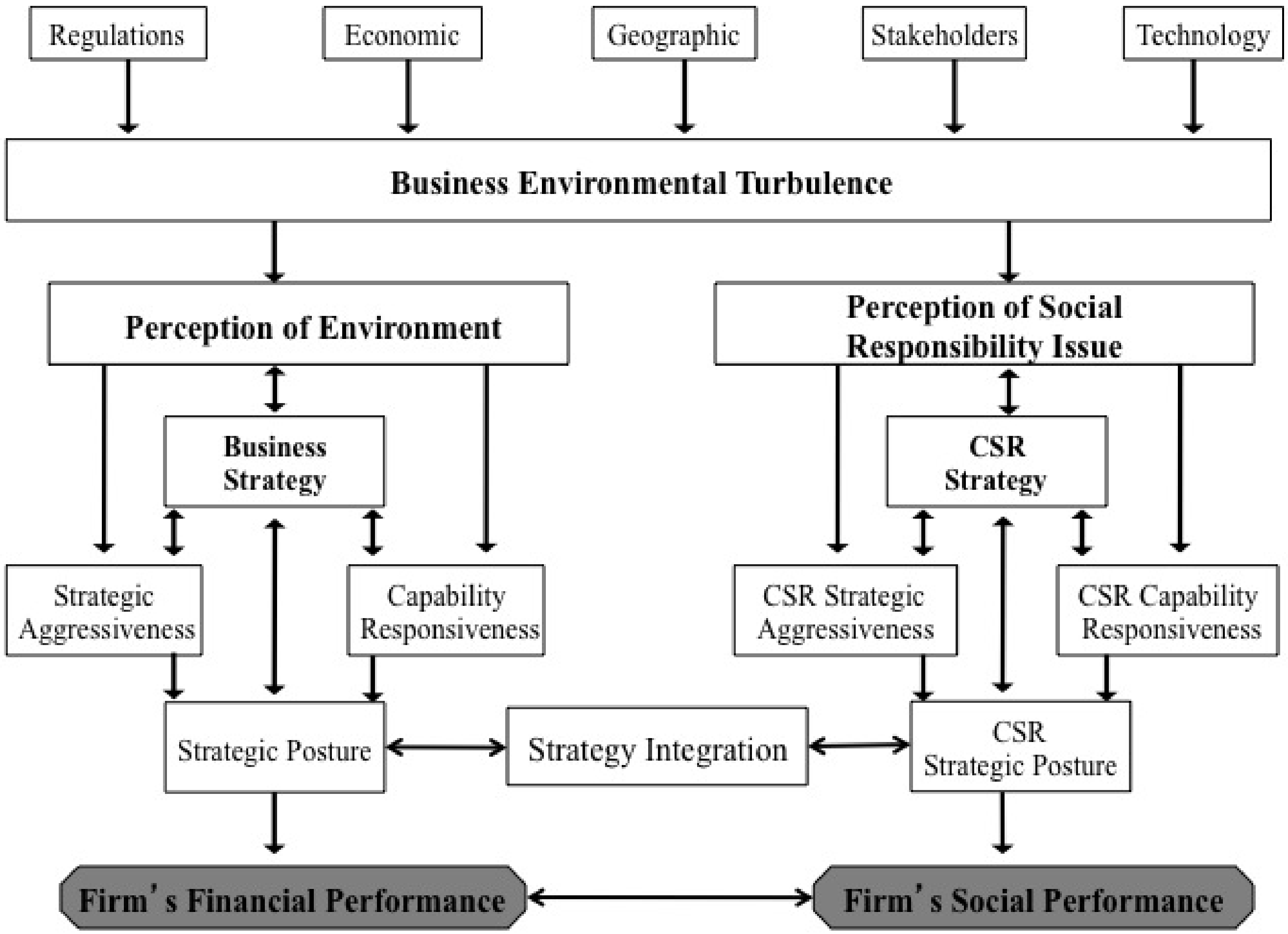

Figure 1. Global Model

Ansoff and McDonnell's strategic diagnosis method was adopted as an instrument to study the efficiency of a company in this study. Based on Ansoff's approach, factors within a company's operational environment help determine the strategy and capability of the company (1990). On the left side of the global model, the components of Ansoff's Strategic Success Model apply to a company's strategic management at a business level. The right part of the global model shows the components of Ansoff's model that are applied to a company's strategic management at an individual strategy level, which in this study was Corporate Social Responsibility (CSR) strategy. The right part shown in the global model is a research model. The research model describes the attributes that are directly related to this study, and is supported by literature presented in chapter 2B. This present study hypothesized that the integration of CSR strategy as an integral part of a company's business strategy would lead to optimal economic and social performance. The study assumed that Ansoff's Strategy Success Model would apply to the CSR strategy, as well as the overall business strategy. Correspondingly, CSR was believed to have a significant effect on the overall performance of a company.

Ansoff and McDonnell (1990) defined environmental turbulence as the degree of novelty, complexity, and speed of change in the environment. Changes in economic and geographic factors, regulation, demands of stakeholders, and technology influenced the level of business environmental turbulence in this study. Managers who misperceive opportunities and threats created by environmental changes would face difficulties formulating an effective strategy for their company. Ansoff understood how important the information process was and proposed that a company should filter information regarding opportunities, threats, issues, and trends through a strategic information system that would separate the data through a surveillance filter, information filter, mentality filter, and power filter (Ansoff & McDonnell, 1990). The system allows management to sort out any irrelevant issues and detect any unwelcome changes in an early stage. Management's personal biases and resistances to change can affect information processing and lead to misinterpreted levels of turbulence (Chan & Wang, 1995). Management without strategic myopia is a key to creating effective strategic diagnosis (Ansoff & McDonnell, 1990).

Categorized by Ansoff and McDonnell (1990) categorized the environmental turbulence changes into five turbulence levels. Four characteristics: complexity, novelty, rapidity, and visibility were used to conceptualize the changeability and predictability of a company's environment. Changeability is a combination of the complexity of an environment and the novelty of a challenge a company will encounter in the environment. Predictability is explained by rapidity (the ratio of speed of the evolution of a challenge to the average speed of a company's response) and visibility (the adequacy and timeliness of information about the future). The 5-point scale in Table 1 differentiates between the levels of environmental turbulence.

Table 1

Environmental Turbulence Levels

	Turbulence Level				
	1	2	3	4	5
Environmental Turbulence	Repetitive	Expanding	Changing	Discontinuous	Surprising
Complexity	National Economic	+	Regional Technological	+	Global Socio-political
Familiarity of Events	Familiar	Extrapolable	→	Discontinuous Familiar	Discontinuous Novel
Rapidity of Change	Slow than response	↔	Comparable to response	↔	Fast than response
Visibility of Future	Recurring	Forecastable	Predictable	Partially predictable	Unpredictable surprise

At environmental turbulence level 1, “repetitive environment”, the business environment is very stable and assumed to stay the same. Changes that do occur are at a very slow speed and are very predictable. A company’s strategic activity is at a minimal level, and a company makes no effort to change products or services unless they are forced to by threat of survival.

At environmental turbulence level 2, “expanding environment”, environmental changes occur very slowly and are predictable. The environment is a continuance of its historical past. Additionally, a company can wait until initial impact of a change in the environment before initiating a response. At this level, a company is competing with lower price strategy on undifferentiated products. As a result, production efficiency is a strategic focus in this level.

At environmental turbulence level 3, “changing environment”, changes in the environment occur rapidly and incrementally. It is an extension of its historical past and change is predictable by using extrapolative forecasting. A company must initiate a response before the initial impact and complete the response before the final impact. A level 3 company is driven by the past and believes that past successful behaviors will likely produce future success. It is important to note that this turbulence level focuses on market differentiation instead of a production efficiency strategic focus in turbulence level 2.

At environmental turbulence level 4, “discontinuous environment”, changes are now rapid in speed and are no longer an extension of the historical past. The existing market is no longer likely to produce a profit. Behaviors that produced success in the past are no longer likely to produce success in the future. At this level, changes are partially visible and predictable, and a statistic forecast system is no longer valid. A company can either enter a new market with its existing products or services or the introduction of revolutionary new products and services are required to satisfy the changing needs in an existing market. The environment drives a company’s strategic focus.

At environmental turbulence level 5, “surprise environment”, changes occur at a rapid speed. Strategic surprises are likely to occur even if a company initiates a response before first impact. The environment is discontinuous and is no longer an extension of the historic past. In this level of turbulence, a rapid introduction of new technology is the key to achievement.

According to Ansoff and McDonnell (1990), a company adapts to environmental changes by developing strategic aggressiveness and capability responsiveness. Strategic aggressiveness is a characterization of a company's strategies and its reaction to the environment, and is described by two characteristics: the degree of discontinuity of the company's successive strategic moves and the timeliness of the introduction of new products by the company. Table 2 describes the appropriate strategic aggressiveness level of a company's strategic behavior necessary for each environmental turbulence level to assure success, as characterized in Ansoff's Strategic Success Hypothesis.

Table 2

Strategic Aggressiveness

	Turbulence Level				
	1	2	3	4	5
Environmental Turbulence	Repetitive	Expanding	Changing	Discontinuous	Surprising
	Repetitive	Slow Incremental	Fast Incremental	Discontinuous Predictable	Discontinuous Unpredictable
Strategic Aggressiveness	Stable	Reactive	Anticipatory	Entrepreneurial	Creative
	Based on Precedents	Incremental Based on Experience	Incremental Based on Extrapolation	Discontinuous Based on Expected futures	Discontinuous Based on creativity

Capability responsiveness is a company's ability to respond to change. It includes both a manager's capability and an organization's capability as a whole (Ansoff &

McDonnell, 1990). Ansoff and McDonnell (1990) used three organizational components to identify a company's responsiveness of capability.

- Managers: mentality, power, competency, and capacity
- Climate: culture, risk propensity, time perspective, and change triggers
- Competence: problems solving skills, information technology, organizational structure, rewards, and total headcount

To assure success follows the Strategic Success Model, capability responsiveness of the company must also be matched to the environmental turbulence. The 5-point scale of capability responsiveness aligns to level of turbulence shown in Table 3.

Table 3

Responsiveness of Capability

	Turbulence Level				
	1	2	3	4	5
Environmental Turbulence	Repetitive	Expanding	Changing	Discontinuous	Surprising
Capability Responsiveness	Custodial	Production	Marketing	Strategic	Flexible
	Precedent Driven	Efficiency Driven	Market Driven	Environment Driven	Seeks to Create Environment
	Supposes Change	Adapts to Change	Seeks Familiar Change	Seeks New Change	Seeks Novel Change
	Seeks Stability	←	Seeks Operating Efficiency	→	Seeks Creativity
	Closed System	←		→	Open System

Strategic Success Model

The Strategic Success Model was created as an analysis tool that helps managers identify and diagnose their strategies. The Strategic Success Model, as defined by Ansoff and McDonnell (1990), states that a company's performance potential is optimum when the following three conditions are met:

1. Aggressiveness of the company's strategic behavior matches the turbulence of its environment.
2. Responsiveness of the company's capability matches the aggressiveness of its strategy.
3. The components of the company's capability must be supportive of one another.

The optimal alignment of a company's strategy occurs when the proactive nature of a company's strategic aggressiveness and capability responsiveness are matched to the reactive and proactive demands of the company's environment (Ansoff & McDonnell, 1990). The Strategic Success Model's description of the reactive-to-proactive nature of environmental turbulence, strategic aggressiveness, and capability responsiveness is shown in Table 4.

Table 4

Strategic Success Hypothesis Alignment

	Turbulence Level				
	1	2	3	4	5
Environmental Turbulence	Repetitive	Expanding	Changing	Discontinuous	Surprising
Strategic Aggressiveness	Stable	Reactive	Anticipatory	Entrepreneurial	Creative
Capability Responsiveness	Custodial	Production	Marketing	Strategic	Flexible

Corporate Social Responsibility (CSR)

As stated in Chapter 1, the theoretical development for CSR started in the early 1930s (Carroll, 1999). Among existing CSR models, the contribution of Carroll B. Archie is considered the most commonly referenced model for comprehensive explanations of CSR. Carroll's (1979) conceptual model was constructed based on the review of existing literature from 1960s to 1970s. In an attempt to define CSR, Carroll presented social issues and a CSR definition through the lens of corporate social performance (CSP). He embedded the CSR definition within a conceptual model of CSP. Carroll proposed three dimensions of CSP, consisting of corporate social responsibility, corporate responsiveness, and social issues. In his model, he categorized CSR definitions, which existed during that period, into four different categories: economic, legal, ethical, and discretionary. The significant argument Carroll made was that the responsibility of making a profit should be included as one of the social responsibilities of a company. He explained this responsibility under the economic category in his model (Carroll, 1979). Later in 1991, Carroll revisited the model and presented it again in the shape of a pyramid, which became widely known as "CSR Pyramid", shown in Figure 2.

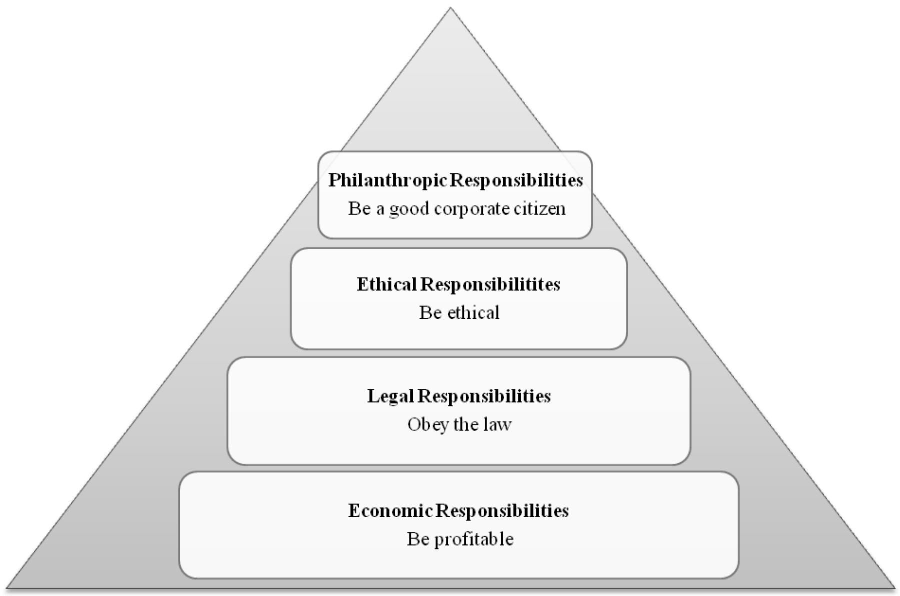

Figure 2. Carroll's CSR Pyramid

The discretionary category in his earlier model was referred to as philanthropic in the CSR pyramid. The pyramid illustrated CSR by using the economic factor as a base and then built upward through legal, ethical, and philanthropic categories (Carroll, 1991). This implied that only after a company created profit would other aspects of CSR be considered. In his model, under the economic dimension, a company's responsibility included producing and selling goods and services to the society and making a sufficient profit. Second, within the legal dimension, a company was expected to operate under the social contract of the laws and regulations that were set up by the society. Third, the ethical dimension included responsibilities that were not only codified by laws but also were expected or prohibited by society's norms and standards. Last, within the philanthropy dimension, a company was involved in good corporate citizen responsibilities (Carroll, 1999).

According to Carroll, the four categories of CSR always exist to some extent. His important argument was that a company needed to fulfill all four aspects of CSR simultaneously. He stated that economic and legal responsibilities were considered socially required, ethical responsibility was seen as socially expected, and philanthropy was perceived as socially desired. As a result, Carroll (1991) proposed that a company should attempt to make a profit, obey the law, be ethical, and be a good corporate citizen in order to be a CSR company.

Carroll's original model in 1979 is considered a milestone for later Corporate Social Performance studies. One of them was a study conducted by Wartick and Cochran in 1985. They adopted Carroll's model and defined CSP as an integration of the principles of social responsibility, the process of social responsiveness, and the policies developed to address social issues (Wartick & Cochran, 1985). Later in 1991, Donna Wood reformulated Wartick and Cochran's model and presented a more comprehensive model of CSP. She proposed a model that measured the effects of a company's social responsibility behaviors. Wood (1991) differentiated CSP into three parts: principles, processes, and outcomes.

According to Wood (1991), CSP was a set of descriptive categorizations of business activities involving stakeholders, the impacts and outcomes to society, and to the company itself. Currently, CSP and CSR are commonly used interchangeably in both CSR and management literature. However, the term "CSR" remains dominant in the academic literature and in business practice (Carroll & Shabana, 2010).

CSR and Stakeholder Theory

Stakeholder theory is often applied when examining CSR. Although stakeholder management and CSR seem to be separate, both concepts share the same value that companies are obligated to take social responsibility. Stakeholder theory first appeared in management literature in the work of Freeman in 1984. Freeman (1984) defined stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives". His definition was broad and did not indicate the level or importance of a group of stakeholders. Since the publication of Freeman's stakeholder theory, a large number of studies regarding the theory have been developed (Donaldson & Preston, 1995). Additionally, the theory has remained a consistent component in CSR studies and management literature.

In 1995, Max B. E. Clarkson conducted a 10-year research program and concluded that the relationship a company has with its stakeholders could affect its CSR performance. From the conclusion, he categorized company stakeholders into two groups: primary and secondary stakeholders. According to Clarkson, the primary stakeholder group's participation is essential for the survival of the company. The primary stakeholder group includes shareholders, employees, customers and suppliers. The secondary stakeholder group was defined as those who were not engaged in transactions with a company and were not essential for its survival. The demands of the later group might affect or be affected by a company's behaviors; however, the effect was not significant. Clarkson argued that the performance of a company was dependent upon its ability to fulfill economic and social purpose sufficient for each stakeholder who was considered a member of the primary stakeholder group.

Mitchell, Agle, and Wood (1997) developed a stakeholder salience model that prioritized stakeholders according to their salience. The authors stated that classes of stakeholders could be identified by the possession of one or more of three attributes: power to influence, legitimacy of their claims, and urgency of their claims. According to Mitchell et al. (1997), if a stakeholder possesses only one of the three attributes, the stakeholder is considered a latent stakeholder and has low stakeholder salience. Stakeholder salience is considered moderate if two attributes are present, and the stakeholder is called an expectant stakeholder. If all three attributes are possessed, the stakeholder is considered a definite stakeholder and has the highest salience. The company has to give priority to a definite stakeholder's claim as an immediate mandate. Lastly, stakeholders with none of the three attributes are non-stakeholders. An assumption of their study was that stakeholders could shift between classes by attaining or losing one or more of these attributes.

Demands of stakeholders play a critical role in the formulation of a company's CSR strategy since their demands add complexity to a company's level of social responsibility turbulence. Stakeholders' demands can be seen as threats or opportunities depending on the management's perception of the needs and the importance of those who present the demand. As a result, the manager's identification of the company's salience stakeholders is important in optimizing performance of the company (Hillman & Keim, 2001).

CSR and Strategic Management

In 1979, Ansoff proposed an enterprise strategy that described an interaction that a business had with its environment and its role in society. In spite of the complexity of the concept, Ansoff's enterprise strategy helped link corporate social responsibility to the strategic management paradigm (Meznar, Chrisman, & Carroll, 1991). Ansoff's point of view on a business's responsibility to its society carried throughout his later works. In 1990, Ansoff emphasized the importance of the legitimacy a company had and proposed a societal strategy. Societal strategy is a production of the analysis of a company's aspirations, constraints, power field, and legitimacy. A company's legitimacy strategy and social responsibility strategy are interrelated in formulating the societal strategy (Ansoff & McDonnell, 1990). Ansoff's perspective on social responsibility has been used to construct previous CSR studies, including the present study.

Another influential contributor to the strategic management view of CSR is Peter Drucker. Lacking the ability to respond to government and public sector social issues during the 1970s motivated Drucker's examination of CSR (Carroll, 1999). His contribution to CSR was profound and helped companies understand that their responsibilities to society were not limited under regulations. He suggested that social responsibilities could be differentiated into two groups: social impact (what company does to society) and social problem (what company can do to society). He postulated that a company should resist responding to social problems when the problems impair its performance capability, exceed its competence, and conflict with legitimate authorities

(Drucker, 1973). In 1984, Drucker proposed that a company could turn social issues into economic opportunities and economic profits. His proposition shared a similar thought to the "doing well while doing good" concept that businesses are still approaching today. This confirms that Drucker's doctrine on CSR is still applicable and a foundation of CSR in the 20th century.

During the 1990s, the strategic management views of CSR, from both Ansoff and Drucker, had not been widely adopted. CSR and strategic management were often seen as separate objectives, and CSR literature mainly focused on societal value while strategic management literature focused on economic value. The economic value scheme suggested that the social responsibility of a company goes no further than the obligation to maximize shareholder value (Friedman, 1970). On the other hand, the societal value idea opposed the economic view and suggested that the social responsibility of a company goes beyond economic factors to include legal, ethical, and discretionary responsibilities (Carroll & Shabana, 2010). As a result, the later scheme suggested companies should undertake CSR for ethical and normative reasons alone (Wood, 2010).

Since there was no link in the past between the social value and economic value scheme, many companies initiated CSR through donating and volunteering (philanthropy), which did not directly relate to their business goals and objectives (Carroll, 1999). These conventional ideas of philanthropy considered having no strategic management involvement. In 2002, Porter brought up a new way of looking at philanthropy that involved cosmetic public relations and media campaigns (Porter & Kramer, 2002). He proposed that a company's philanthropy should be considered as a strategy to create long-term social values. Conventional philanthropy was a good start, but it was not enough to create social value in present business environments (Porter & Kramer, 2006). Thus, Porter stated business and society were not independent but interdependent. In his later work, Porter (2011) proposed a “shared value” between business concern and society concern of a company.

According to Porter and Kramer (2006), it is important for a company to make an effort to integrate CSR into its strategy or operations if the company wants to gain opportunities created by CSR. In their framework, they suggest companies should first scan for internal social impacts they created through their operation and value chain – an inside out linkage. Second, companies should scan for external social issues that affect the competitiveness of the company – an outside in linkage. Integrating inside-out and outside-in practices, companies can generate economic and social value by innovating value chains and evaluating social limitations to competitiveness. While activities in the value chain performed by using reinforce improvement ways, the investments in competitive context had the potential to decrease a company’s value chain activity constraints. By responding to the social dimensions of a competitive context, companies could create long-term competitiveness and social value from their CSR strategy. Although Porter and Kramer’s paper presented a classification of strategic issues, there was no coherent strategic model suggested by the framework (Jastram, 2007).

Since the leading-edge argument of Porter and Kramer in 2006, many scholars presented and constructed models attempting to provide concrete steps to implement and build CSR into strategy (Bhattacharaya, 2009, 2010; Bhattacharyya, Sahay, Arora, & Chaturvedi, 2008; Heslin & Ochoa, 2008; Glabreath, 2009; Claydon, 2011). However, the models proposed were mostly descriptive, and as a result, there is a need for more empirical evidence on the topic.

Generations of CSR Development

Zadeck (2001) categorized the development of CSR into three generations. In the first generation, managers develop CSR only if it contributes to the success of the business and does not detract the company from success. This is the most conventional method of CSR strategy and often includes philanthropy and corporate donations. In this generation, companies are using CSR for either reputation protection or for reputation enhancement. CSR is developed in reactive, compliance, and risk management approaches.

The second generation of CSR includes the development of CSR into an integral part of a company's long-term business strategy. In this generation, companies who are taking a lead in the field of CSR are now positioning themselves by strategic CSR and innovation. They believe taking CSR seriously is also good for business. CSR developments in the second generation are under a business case approach.

Lastly, the third generation of CSR is developed to make significant contributions to addressing a global issue. It is a development beyond the power and leadership approached by individual companies. The development requires the cooperation of businesses, government, and civil society. In this third generation, CSR is an approach to achieve sustainability for both society and businesses. The author acknowledged that large numbers of companies are in the first generation and only a small number of companies are occasionally seeing the benefit of CSR as stated in second generation.

Furthermore, the author argued that the third generation of CSR development is still in a vision stage and requires major changes in leadership behaviors.

Strategic CSR

Strategic CSR is defined as "a strategic systems approach that examines and influences the behavior of a company while preserving its competitive advantage" (Hopkins, 2009). There are many degrees of implementing CSR strategy. According to RARE (2005), there are two types of company's CSR processes: built-in and bolt-on. When a company uses the build-in approach, CSR activities are founded as an integral part of the company's operations. Built-in CSR includes a company's efforts to make business processes more sustainable and to improve the ecological and social properties of the products and services themselves. When a company uses bolt-on approach, the company initiates CSR activities in the lowest degree of integration. Bolt-on CSR includes engaging in CSR activities that go beyond a company's core business operations. Bolt-on CSR includes donations, sponsoring, cause-related marketing, and activities that lay outside the company's ordinary business activities. Companies with a proactive approach toward CSR are observed as companies that built-in CSR strategy to their business strategy and bolt-on CSR activities in their business operations (RARE, 2005).

Porter and Kramer (2006) also proposed two different CSR approaches: responsive CSR and strategic CSR. Companies with responsive CSR approaches react to social concerns of stakeholders and mitigate existing harm arising from their business activities. Responsive CSR consists of two parts. The first part is operating as a good corporate citizen and adjusting to stakeholders' social concerns. The second part is to reduce the severity of current or future harmful effects of business activities. In this approach, companies do not plan to reinvent their value chain but aim to minimize the obstacles from a company's value chain activities. This is an important operational challenge since there are several possible value chain effects for each business unit, and many companies have developed a checklist approach to CSR based on standardized sets of social and environmental threats. As a result, benefits from a responsive CSR approach are likely to be short term and temporary.

On the other hand, companies with strategic CSR aim beyond the standard of best practices. Strategic CSR is about selecting a distinctive position that differentiate themselves from rivals by offering a better fit to customers' needs and by lowering costs. These strategies apply to how companies related to society as well as to their customers and competitors. Strategic CSR is comprised of two elements: inside-out and outside-in dimension, which work consequently. Companies practice social responsibility to achieve exceptional position in the market. Pioneer innovations in the company's value chain and products offering are used as a strategy to create benefits for both society and a company's own competitiveness. The strategic CSR approach creates shared value between society and the company. The successes of both the company and of society are mutually reinforced (Porter & Kramer, 2006).

Burke and Logsdon (1996) proposed a model of five strategic dimensions that affect the ability of a company's CSR policies, programs, and processes to create value. The five strategic dimensions were centrality, specificity, proactivity, voluntarism, and visibility.

- *Centrality* provides an indicator of the relationship between the mission of a company and its CSR program. The higher centrality the CSR programs have, the higher profits the company gets.
- *Specificity* refers to how companies are able to capture or internalize the benefits of CSR initiatives and create value through differentiation, instead of creating collective goods that are shared by market competitors. In specificity, a company's ability to create financial benefit is linked to the achievement of social objectives.
- *Proactivity* refers to an ability of a company to scan for and anticipate changes that are affected by economical, technological, social, and political trends. The author argued that the greater ability to anticipate social changes, the higher the value created from a company's CSR.
- *Voluntarism* refers to the scope of the company's discretionary decision-making. Companies often undertake social activities without external enforcement of compliance requirements since they believe CSR is a source of value creation such as innovation.
- *Visibility* refers to not only how companies observe a CSR activity, but also how they gain credit from both internal and external stakeholders. The higher the visibility of companies' CSR programs, the more value they create and their good corporate reputation is expected.

These five strategic CSR dimensions help explained how companies' resources and capabilities were strategically used in CSR practices and created value to companies (Burke & Logsdon, 1996).

Based on the literature, strategic CSR is a systematic approach of a company to develop sustainability through social, ethical, and environmental practices. Strategic CSR is a tool for a company to build a long-term, socially responsible image that provides value to the company (Collins, 2003). CSR strategy can be seen as "Strategic CSR" only if it is embedded in business strategy and not used as a strategy itself (RARE, 2005; Porter & Kramer, 2006). Strategic CSR yields substantial business-related benefits to the company, specifically by supporting core business activities and thus contributing to the company's effectiveness in accomplishing its mission (Ansoff & McDonnell, 1990; Burke & Logsdon, 1996).

CSR in Small Businesses

In the past decades, the majority of ethical and management CSR literature were developed under the context of large corporations (Spence, 2007; Udayasankar, 2008). CSR formal reporting and ranking systems have been widely used by large corporations as a CSR communication tool for the public. However, while small businesses do not formally report their social responsibility, this does not mean they behave irresponsibly (Fassin, 2008). Studies show that small businesses are doing CSR but informally and silently (Jenkins, 2004). Small businesses are less focused on reporting instruments and monitoring indexes compared to large corporations (Graafland, Van de Ven, & Stoffele, 2003). Instead of external pressure, ethical value is the main driver for small business CSR approaches (Jenkins, 2006; Tilley, 2000). Compared to large corporations, small businesses usually encounter more obstacles in engaging in CSR due to their limited resources of capital, knowledge, labors, and skills (Lepoutre & Heene, 2006).

Within the past decade, small business CSR researches have emerged (Kechiche & Soparnot, 2012; Jenkins, 2004, 2009; Morsing & Perrini 2009; Perrini, 2006; Russo & Perrini, 2010; Lepoutre, & Heene, 2006; Spence & Rutherford, 2003). Many scholars (Jenkins, 2006, 2009; Murillo & Lozano 2006; Spence, 2007; Perrini, Russo, & Tencati, 2007) and argued that the application of CSR for small businesses should be distinctive from large corporations because of the different nature and motivation of the businesses. These authors insist that separate CSR methodology and tools tailored to the scale of small business are essential. For instance, regulations need to be more properly scaled for small business's limited resources, CSR in supply chain should decrease the level of discrimination and diversity, and government and public sector funds should be opened to small businesses (Jenkins, 2004; Spence; 2007, UNIDO, 2002). With the need to differentiate CSR for small business, cooperation among small businesses, government, policy makers, and non-government organizations (NGO) are needed for the development (Fassin, 2008; Jenkins, 2004; UNIDO, 2004; Kraxberger, 2007).

Even though academic work on social responsibility in small business is limited, CSR in small business is gaining more attention from both academic, business practitioners, and organizations. For instance, from 2006 to 2007, the European Commission reported that they co-financed 14 successful projects on CSR in small businesses, had 75 organizations as formal project partners, studied an estimated 370 case studies of CSR in SMEs, and 3,000 SMEs participated in these projects (European Funding Programme, 2008). Similarly, UNIDO established a special program called the Responsible Entrepreneurs Achievement Programme (REAP) that provided support and consultations only available to SME's regarding implementing CSR practices (REAP, 2012).

As Table 5 shows, there is a variety of differences between small business and large corporations in regards to CSR practices.

Table 5

Differences between CSR in Small Business and CSR in Large Corporations

Corporate CSR	Small Business CSR
Who	*Who*
Responsible to wide range of stakeholders	Responsible to fewer and/or different stakeholders
Perceived responsibility to society at large	Perceived responsibility to local community
Importance of shareholders	SMEs often don't have shareholders
Why	*Why*
Protection of brand image and reputation	Protection of customer business
Pressure from consumers	Pressure from business customers down the supply
Shareholder pressure, the SRI movement	Pressure from money lenders? Unaffected by SRI
The business case	Proven business case lacking
How	*How*
Based on 'corporate values'	Based on principles of 'owner-manager'
Formal strategic planning for CSR	Informally planned CSR strategies
Emphasis on standards and indices	Emphasis on intuition and ad hoc processes
Key involvement for CSR professionals	No dedicated personnel for CSR programs
Mitigation of risk	Avoidance of risk
What	*What*
Prominent campaigns e.g. Cause Related Marketing	Small scale activities such as sponsorship of local
Publicity linked to CSR activities	Activities often unrecognized as CSR related

Source: Jenkins, 2004

CSR Issues for Small Business

The small size of small business does not imply that they produce less pollution than corporations produce or share less responsibility regarding social problems. CSR issues for small business are not much different from CSR issues demanding responsibility practices in large corporations (Williamson, Lynch-Wood, & Ramsay, 2006). As cited in Sehic and Sabanovie (2008), Teixido stated three ways that small business can engage with CSR: by providing employment, developing relationships with the public, and providing goods and services to large companies.

According to Porter and Kramer (2006), social issues can be differentiated into three categories: generic issue, value chains social impact, and the social dimensions of a competitive context. Generic issues include issues that are important to society. However, the issues neither significantly affect the company's operations nor influence the company's long-term competitiveness. Value chain social impacts are issues that significantly affect the company's activities during the ordinary course of business. The social dimensions of the competitive context are external factors in the company's environment that significantly affect the underlying drivers of competitiveness in the location where a company operates (Porter & Kramer, 2006). After the scanning process, companies need to sort their issues into these three categories for each of their business units and primary locations.

Social issues for small business can be derived from both internal and external stakeholders. Stakeholder salience for small businesses is different from large corporations. Relationships between small businesses and their stakeholders normally form in an informal basis such as trust and personal engagement, rather than by the power attribute of a stakeholder. The study conducted by Murillo and Lozano (2006) indicated that the relationship small businesses have with their external stakeholders is less import than the relationships with their internal stakeholders, under the scope of legitimacy.

With the rising awareness in small businesses' CSR, many organizations are providing guidelines for social responsibility practices and sustainability development in SMEs (Kraxberger, 2007). According to the United Nation Global Compact, there are ten suggested principles in implementing social responsibility and environmentally friendly policies in small businesses. The ten principles include four areas of social issues: human rights, labor standards, environmental, and anti-corruption (UN Global Compact, 2007). According to the ISO26000 standard, small business social responsibility covers seven core areas: organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development (ISO, 2012). The ISO26000 contained seven principles of social responsible behaviors: accountability, transparency, ethical behavior, respect for stakeholder interests, respect for the rule of law, respect for international norms of behavior, and respect for human rights (ISO26000, 2012). These are defined below:

Accountability: an organization is answerable to those affected by its decisions and activities, as well as to society in general, for the overall impact on society and its decisions and activities (Vincular, 2012).

Transparency: an organization should disclose, in a clear, accurate manner and to a reasonable and sufficient degree, the policies, decisions, and activities for which it is responsible, including known and likely impacts (Vincular, 2012).

Ethical behavior: an organization's behavior should be based on the ethics of honesty, equity, and integrity (Vincular, 2012).

Respect for Stakeholder Interests: in addition to owners, members, and customers or constituents, other individuals or groups may also have rights, claims, or specific interests that should be taken into account (Vincular, 2012).

Respect for the Rule of Law: an organization is to comply with all applicable laws and regulations. It informs those within the organization of their obligation to observe and to implement measures (Vincular, 2012).

Respect for International Norms of Behavior: an organization respects international norms of behavior while adhering to the principle of respect for the rule of law. An organization should not stay silent in response to or benefit from wrongful acts (Vincular, 2012).

Respect for Human Rights: an organization respects and fosters rights set out in the International Bill of Human Rights. This includes situations where human rights are not protected (Vincular, 2012).

Within the context of small business, the Euro Commission used four main categories of social issues to raise CSR awareness among small business. The four categories of CSR activity are environment, workplace, marketplace, and community (Euro Commission – CSR in SMEs, 2012). Overall, social responsibility issues for small businesses are very complex and depend on the perceptions of owners and managers of small businesses. As a result, not all areas of social issues mentioned in the existing literature applied to every small business.

Drivers for CSR in Small Business

Having the same dilemmas as large corporations, small businesses are driven to practice CSR by either social driven or their own profit motives. Additionally, there are many business cases for CSR where small business can benefit and relate to CSR. First, CSR can help small business save on operating cost by engaging in environmental efficiency such as waste reduction and energy efficiency (RARE, 2006; Jenkins, 2006).

Second, small businesses that engage in ethical and environmental practices are predicted to improve their reputation (Jenkins, 2009; Murillo & Lozano, 2006; Santos, 2011) and relationships with the local pool of staff, suppliers, and customers (Jenkins, 2006; Mandl and Dorr, 2007). Lastly, CSR can help small businesses find new ways to learn and innovate, seize opportunities, and solve problems. (RARE, 2006; Mandl & Dorr, 2007).

Barriers for CSR in Small Businesses

From the perspective of small business, CSR poses many difficulties and challenges. For one, small businesses have a higher rate of failure compared to large corporations. Thus, small businesses lack the resources and have limited ability to gain maximum advantages from performing strategic CSR (Jenkins, 2006).

Lack of CSR knowledge is considered the most significant barrier for small businesses to engage in CSR. Studies show that a majority of small businesses still define CSR as a responsibility limited to large corporations (UNIDO, 2002; Apospori, Zografos, & Magrizos, 2012), and many small businesses lack awareness of their own CSR programs (Russo & Tencati, 2009). For example, studies indicate that small businesses do not know that something they are doing is considered CSR (Spence, 2007). In order for small businesses to build strategic CSR, they need to move pass the barrier by first becoming aware of CSR in their current practices.

In addition to misinterpretation of CSR definition, small businesses have little understanding of business cases for CSR. Small businesses usually perceive CSR as high cost and low return activities (Appospori et al., 2012). This strategic myopia prevents many small businesses from pursuing strategic CSR.

Another barrier is lack of information. Currently, there are limited resources of theoretical studies, empirically studies, and formulations and implementations of CSR strategy guidelines to help small business practitioners (Thompson, Wartick & Smith, 1991). Small businesses are having difficulty implementing CSR standards and tools developed for large corporations (Jenkins, 2004; Spence, 1999, 2007).

However, the most common barriers emphasized in studies are limited financial and human capital (Luetkenhorst, 2004). Although owners or managers of small businesses are willing to adopt CSR, they are often overwhelmed with many daily tasks. This lack of capacity prevents owners and managers from dealing with issues beyond the day-to-day operations (Tilley, 2000; Spence, Schmidpeter & Habisch, 2003; Lepoutre & Heene, 2006). Furthermore, small businesses have to overcome obstacles, such as the lack of financial and human resources to successfully implemented social and environmental standards (UN Global Compact, 2007).

Small Business CSR Posture

The degree that small businesses adopt CSR practices varies tremendously. For example, the adoption can be part of a cohesive strategic business model or be a sporadic component of the company's social responsibility practices. Objectives of CSR programs in small business can range from achieving cost savings, meeting the expectations of customers and the supply chain, meeting the core value of the business, or contributing to sustainability development (RARE, 2006). Researchers have developed various theories and levels of CSR posture.

From Moir's (2001) point of view, companies approach CSR in three broad aspects: neo-classical, moral, and an enlightened self-interest. Companies with a neo-classical approach initiate CSR from an economic perspective and are concerned with maximizing profit. This group believes that provision of employment and payment of taxes are their only social responsibility. Moral approach companies initiate CSR from the standpoint of political and non-economic factors, and moral and ethical issues motivate their CSR engagement. Managers or owners of the moral approach believe it is their responsibility to meet social expectations since their company has resources and skills that could help solve social problems, whether they created these social problems or not. On the other hand, the enlightened self-interest approach describes companies that developed CSR as a way to promote their existence, reputation, and sustain growth. Moir (2001) argued that many companies have CSR practices that are a mixture of the neo-classical and enlightened self-interest approaches.

In 2006, AcountAbility conducted an in-depth case study of responsible business practices among small businesses. Results suggested that small businesses respond to CSR in four different ways: evasion, silent CSR, compliance with standards, and market access through CSR. In the evasion response, small businesses ignore the issue and see CSR issues as irrelevant to their business. Silent CSR companies either have a personal or moral commitment to social responsibility or have a business relating to social responsibility. Businesses that ensure compliance with standards do so to maintain access to the market. Lastly, companies with the market access through CSR system are innovative companies that create responsibility in their value chain (AcountAbility, 2006).

Kusyk and Lozano (2007) proposed a four-cell typology of key drivers and barriers on small businesses' social issues and stakeholder management. Two determining factors of the four-cell typology are the intensity of market competitive advantage based on CSR issues (high or low) and the intensity of managers' autonomy compared to internal and external stakeholder (high or low). The combination of these two factors creates Kusyk and Lozano's (2007) four cases of small business' strategic CSR. The four cases include non-participant, observer, moral leader, and customer depended; these are displayed in Figure 3.

External: market competitive advantage based on CSR issues			
	High	Customer Depended	Moral Leader
	Low	Non-Participant	Observer
		High	Low
		Internal: decision-making autonomy on CSR issues	

Figure 3. A Four-cell Typology, adapted from Kusyk and Lozano (2007)

Non-participant: occurs when both market competitive advantage and company's decision-making autonomy is low in intensity. Small businesses in this scenario are not required to participate in social responsibility issues until the salient stakeholder has required the company to do so.

Observer scenario: this scenario is a combination of low competitive advantage and high autonomy of the owner and managers. In this group, small businesses will act on social responsibility issues when the degree of competitive advantage is high enough to provide a business case.

Moral leader: occurs when both market competitive advantage and a company's decision-making autonomy is high intensity. These small businesses expect to have high social performance and gain a competitive advantage from strategic CSR through an innovative approach.

Customer depended: this scenario is a combination of high competitive advantage and low autonomy of the owner and managers. As a result, these small businesses target only active, championed social issues that are expected to generate high returns from strategic CSR on those specific issues.

Lastly, Spence and Rutherfoord (2001) proposed four different perspectives and four drivers for CSR initiatives in small business. They conducted their qualitative study by interviewing owners and managers of small businesses in the United Kingdom. The researchers determined that the four perspectives involved either social or profit-maximization. The socially perception was described by inactive and active practice, and the profit perception side was explained as profit maximizing and profit satisfying. Additionally, the authors summarized the drivers for CSR initiatives into four groups: profit maximization, subsistence priority, enlightened self-interest, and social priority. Profit maximization describes owners and managers who are driven only by money; social objectives are not involved in their business plan. Subsistence priority is an initiative where small business owners and managers consider social issues as a long-term survival strategy rather than being profit maximization oriented. Ethical practices in this group are limited to employment for employees and service for customers. Owners and managers in the enlightened self-interest group perceive ethical practices as good public relations and a form of marketing. Lastly, the social priority group integrates social values and actions into their business. Management in the last group prioritizes ethical practices over profit maximization. Spence and Rutherfoord asserted that CSR strategies of small businesses shift over time according to issues or circumstances.

CSR and Reporting Standards

There are a number of reporting initiatives to develop standards for CSR and company performance. However, most of them were created objectively to large corporations for attracting financial investors, particularly Socially Responsible Investing (SRI) groups. Some examples of global CSR indexes and ratings are Dow Jones Sustainability Index (DJSI), FTSE4Good, Global 100, UN Global Compact, World Business Council for Sustainable Development (WBCSD), The Global Reporting Initiatives (GRI), KMPG International Survey of CSR reporting, SustainAbility's list of the 100 best sustainability report, and ISO14001. Each CSR index involves a minimum of 100 companies and each indicates company performance in a triple bottom-line approach (Gjølberg, 2009).

Another CSR rating database commonly used by investors is Kinder, Lyndenberg, and Domini (KLD). KLD is an independent ratings service that assesses trends in social and environmental performance. Additionally, KDL is a statistic tool that covers approximately 80 indicators in seven major qualitative areas including community, corporate governance, diversity, employee relations, environmental, human rights, and products. KLD also provides exclusionary screening information for involvement in controversial business issues such as alcohol, gambling, firearms, nuclear power, and tobacco (KLD STATS, 2012).

The CSR index and standards that are used in large companies seem to be less effective when it comes to CSR in small businesses (Spence & Lozano, 2000). While many large corporations employ specialists to monitor and communicate their social performance through reports and standards, most of the reports are too complicated and time consuming for small business (Fassin, 2008). As a result, small businesses are discouraged to participate in such a process (Perera, 2008).

Currently, there is no social responsibility performance report or standard set specifically for small business. Most of small businesses' performance measurements are self-regulated and self-assessed. Additionally, goals and objectives are commonly used as key performance indicators. There is clearly a need for small business reporting and measurement standard regarding CSR practices.

CSR and Performance

While studies on the relationship between CSR and Corporate Financial Performance (CFP) have grown in the past two decades, study results vary (De Bakker, Groenewegen, & Den Hond 2005). Several meta-analysis studies found positive correlation between CSR and companies' financial performances (Orlitky, Schmidt, & Rynes, 2003; Allouche & Laroche, 2005; Margolis, Elfenbein, & Walsh 2007). However, based on meta-analysis from 21 empirical studies conducted between 1972 and 1992, Pava and Krausz (1996) argued that there is no consensus between CSR and CFP. They found 12 studies showed a positive association, 8 studies resulted in no association, and 1 study had a negative association. Similarly, Griffin and Mahon (1997) reviewed 51 studies regarding the relationship between CSR and financial performance and found mixed results: 19 resulted in a negative relationship, 33 showed a positive relationship, and 9 showed no relationship.

Differences of social performance measures and indicators are criticized as the cause of inconsistent in results (Moore, 2001). Intending to mitigate the mismatch between a company's CSR and social performance indicators, stakeholder theory was proposed as a tool to develop performance measures. Stakeholder theory holds the key to an understanding the foundation of the relationships between various indicators of corporate performance (Wood & Jones, 1995). Wood and Jones (1995) argued that CSR studies must be integrated with stakeholder theory since stakeholders define corporate behavior norms and evaluate company expectations.

Although CSR measurement performance in small businesses is not consistent, there have been studies examining the relationship between CSR and CFP in small businesses (Thompson, Wartick & Smith, 1991). Many CSR studies regarding small businesses measured performance through subjective assessment of either qualitative or quantitative indicators. For example, qualitative indicators previously used to identify performance were enhancement of the external image, reputation of the company (Murillo & Lozano, 2006; Webner, 2008), and better quality workforce (Weber, 2008). Quantitative indicators identified in previous studies were staff turnover, work related accidents (Murillo & Lozano, 2006), reduction of energy, and reduction of pollution (Aragón-Correa, Hurtado-Torres, Sharma, & García-Morales, 2008).

CHAPTER 2B

Research Model and Supporting Literature

This chapter presents a research model and literature review of the variables used to create the research model. The research questions, research hypotheses, conceptual and operational definitions of the variables, and a discussion of the framework used to investigate the research hypotheses are included in this chapter.

Research Model

The existing CSR literature embodies a diverse set of topics including stakeholder management, environmental management, corporate transparency, corporate sustainability, and competitiveness. Although large corporations are posited to be a major contribution to social issues, small businesses make up the largest segment of the global economy (Jenkins, 2004; Spence, 2007). Small businesses account for 90% of businesses worldwide and over 50% of employment worldwide (UNIDO, 2002). As a result, responsibility behaviors of small businesses are as important as responsibility behaviors of large corporations.

This study aimed to apply principles of strategic management to the practice of CSR in small businesses. The literature review of social responsibility practices in small businesses discussed in the previous chapter showed sufficient evidence to support the development of the present study. Literature from both management and social perspectives used for creating effective CSR in small businesses are reviewed in this chapter. The research model of this study, shown in Figure 4, was created with the assumption that Ansoff's Strategy Success Model applied to CSR strategy and to overall business strategy. The model reflects a company's CSR strategic aggressiveness and CSR capability responsiveness, both of which influence the strategic CSR posture of the company. The CSR strategic aggressiveness gap and CSR capability responsiveness gap are also displayed in the research model. They represent the difference between the perceived level of a company's CSR turbulence from the perceived level of the company's CSR strategic aggressiveness and CSR capability responsiveness, respectively. This model hypothesizes that as the absolute value of a small business's strategic aggressiveness gap decreases, the performance of the small business increases. On the other hand, as the absolute value of a small business's capability responsiveness gap decreases, the performance of the small business increases. Strategic CSR posture is postulated to have a significant relationship to the overall performance of the small business.

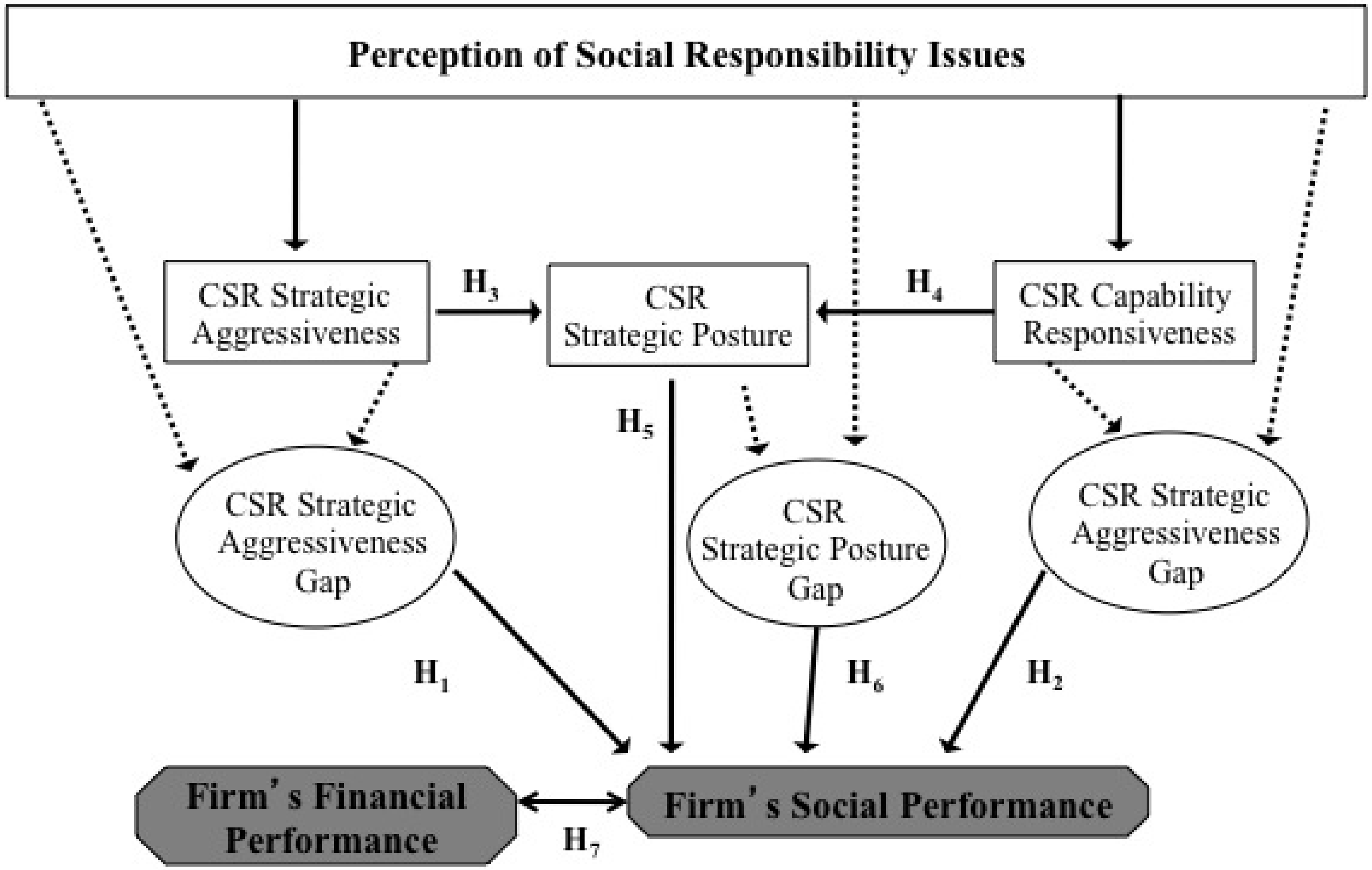

Figure 4. Research Model

Strategic Success Model

In order to execute the right CSR strategy, not only is an understanding of a company's mission, values, and core business activities required, but also it is necessary to consider social and environmental impacts (Smith, 2003). The essential component of Ansoff's strategic management principle is to link an uncertain external environment with the development of internal capabilities, responsiveness to stakeholders, and positioning the purpose of the company within a societal context (Ansoff & McDonnell, 1990).

In 1990, Ansoff predicted society and economy would be greater in complexity in the twentieth century. He suggested that companies would be required to conduct regular "social audits" to diagnose their present social responsibility strategy. Identifying social issues, which have impacts on a company's ability to meet its objectives, allows the company to strategically respond to its social responsibility (Ansoff & McDonnell, 1990). The Strategic Success Model proposed by Ansoff (1990) provided a framework for diagnosing the future prospects of a company. Additionally, Ansoff's model has been empirically validated by the dissertation work of several authors. Among prior studies of the model, five dissertations including Lorton (2006), Loebbaka (2008), Kelly (2008), Hla (2011), and Ibrahim (2012) were used to construct the research variables of this study.

Lorton (2006) and Loebbaka (2008) validated the Strategic Success Model at the functional management level. Lorton (2006) implemented the model to environmental management system, and Loebbaka (2008) tested the model in safety management system. Kelly (2008) investigated the social impact of human service in nonprofit organizations (HSNPs) and related it to strategic management analysis. In 2011, Hla applied the Strategic Success Model to examine the relationship between strategic behaviors and performance of small businesses in the United States. Most recently, Ibrahim (2012) adopted the Strategic Success Model to study the role of sustainable corporate social responsibility programs in Multinational Corporations (MNCs) in Palestine. The present study utilized the Strategic Success Model to investigate the relationship between management of CSR strategy and performance of small businesses in the United States.

CSR and Competitiveness

CSR strategy and competitive advantage are important issues when companies are considering social and environmental impacts as small businesses have limited resources in nature (Vilanova, 2010). Engaging CSR programs can either gain companies market competitiveness or reduce their chance of surviving due to the burden of additional costs to implement the programs (Apospori, Zografos, & Magrizos, 2012). Various studies support the idea that CSR has a relationship with small business competitive advantage (Jenkin, 2009; Apospori, Zografos, & Magrizos, 2012; Sweeney, 2009). CSR enhances companies' competitiveness through good reputation, increases sales and customer loyalty, increases ability to attract and retain employees, helps achieve the standard of a good practice company, and provides additional access to capital (Sweeney, 2009).

In 2011, a study of 27 Romanian organizations was conducted by National Association of Romanian Exporters and Importers (ANEIR) in partnership with the Projects and Programmes Implementation Agency for Small and Medium Enterprises (AIPPIMM) and by the United Nations Development Programme (UNDP) Romania. The study showed a relationship between small business CSR and competitiveness. Additionally, the study suggested that small businesses have a more flexible operation and a less formal and bureaucratic organization structure compared to large multinational corporations. These benefits allow small businesses to quickly respond and identify to new ideas and market opportunities. This means small businesses could integrate CSR more quickly and easily than large corporations since they do not have the same level of administrative burden. Thus, having a small number of employees enhances the ease of creating organizational culture in small businesses. Lastly, the study argued that many small businesses already operate sociable responsibly. Therefore, integrating CSR is not about redefining what they are already doing but more about maximizing the impact of the existing CSR practices by integrating it into the core business of the company to achieve greater competitiveness (UNIDO-SMEs Guide, 2011).

Iturrioz, Aragón, Narbaiza, and Ibañez (2009) examined the association among the business value of SMEs in Spain and six CSR dimensions: the environment, the internal community of people, responsible relationship with value-chain agent, local community, business revitalization, and good governance. The authors argued that CSR activities related to value chain and internal community (the community of people in the organization) showed the strongest association with the creation of business value. Similarly, Spence, Schmidpeter and Habisch (2003) suggested that investment in social capital of small businesses is important to the success of their businesses.

Hammann, Habisch, and Pechlaner (2009) examined the social responsibility values of owners and managers of German SME toward their employees, their customers, and their company's society. The results demonstrated that the value orientation toward employees had a positive effect on the perceived level of absenteeism, employee satisfaction, and motivation. The value orientation toward customers had a positive effect on perceived customer satisfaction, their willingness to give constructive feedback, and the reduction of price sensitivity of customers. Lastly, the value orientation toward society had a positive effect on the company's reputation. The authors proposed that management responsiveness and these social responsibility activities were associated to increasing profit and reducing company costs.

Operating businesses in a socially responsible way will eventually raise the competitiveness of the business by reducing the use of materials such as energy and water, motivating and empowering employees, improving operational efficiencies, improving relationships with people who are important to the business, and improving the company's reputation with customers (UN Global Compact, 2007).

Research Variables

This section provides the conceptual and operational definitions for the variables in this study. The definitions of independent and dependent variables are refined through a literature review of the general practice of strategic management and the specific CSR activities undertaken by small businesses.

CSR Turbulence

Both internal and external social values have shifted the responsibility of companies from creating wealth to being socially and environmentally responsible (UNIDO, 2002). The focus of accountability of companies expanded from legal and traditional stakeholders to first include direct stakeholders (those who have short-term impact), and later to include a broad range of stakeholders (those who have long-term impact to the company) (UNIDO, 2002). Additionally, social movement and social networking has accelerated the speed of changes in CSR through rapid information flow among companies' stakeholders. However, small businesses are often busy managing daily operational tasks that can lead to undiversified risk while also monitoring the changing dynamics of the economy and social environment (Lepoutre & Heene, 2006). The change in the relationship between civil society and business puts pressure on small businesses to reexamine their roles, rights, and responsibility in society. In addition, the economy, globalization, regulatory and compliance requirements, technology, societal expectations, and stakeholder aspirations all influence a company's choice of CSR strategy (Mandl & Dorr, 2007). These forces correspond to Ansoff and McDonnell's concept of environmental turbulence and in this study are referred to as "CSR turbulence". Table 6 shows the characteristics of CSR turbulence, and is based on Ansoff and McDonnell (1990) elements of environmental turbulence, Lorton's (2006) dissertation regarding environmental management systems, and Loebbaka's (2008) dissertation on safety management systems.

Table 6

CSR Turbulence

	Turbulence Level				
	1	2	3	4	5
Environmental Turbulence	Repetitive	Expanding	Changing	Discontinuous	Surprising
Complexity of Issues	Not at all complex	Slightly complex	Moderately complex	Usually very complex	Always highly complex
Pace of Change	Rare	Time to respond	Must respond quickly	Must catch up to change	Always changing
Predictability of change	Changes are rare	Easily predictable	Usually predictable	Predictable, but some surprises	Unpredictable surprises

External pressures such as government regulation and compliances, social demands, and pressures from supply chain and stakeholders drive CSR in small businesses (Luken & Stares, 2005). Being environmental friendly helps reduce the risk of boycotts by stakeholders of a company. Therefore, companies who practice environmental responsibility gain the benefit of lower externality cost. Similarly, improving workplace safety and employee health standards provides cost savings benefits and helps retain higher quality employees (Mandl & Dorr, 2007). Thus, CSR activities practiced by many small businesses around the world include environmentally responsible behaviors and human safety considerations (European Commission, 2002).

CSR Strategic Aggressiveness

Several studies have shown that CSR in small businesses are typically informal when compared to CSR practices in large companies (Jenkins, 2006; Fassin, 2008;

Spence & Lozano, 2000). Although government regulations still play a major role in controlling the level of responsibility a company has to society, some businesses go above compliances levels to set a benchmark in their industry.

The present study's element of CSR strategic aggressiveness is drawn from the elements of Ansoff and McDonnell's (1990) strategic aggressiveness, Lorton's (2006) evaluation of environmental management system strategic aggressiveness, Kelly's (2008) examination of the social impact of human service in nonprofit organizations, and Ibrahim's (2012) studies regarding CSR management system aggressiveness of MNCs in Palestine. The five levels of CSR strategic aggressiveness that correspond to the five levels of CSR turbulence is shown in Table 7.

Table 7

CSR Strategic Aggressiveness

	Turbulence Level				
	1	2	3	4	5
Environmental Turbulence	Repetitive	Expanding	Changing	Discontinuous	Surprising
	Repetitive	Slow Incremental	Fast Incremental	Discontinuous Predictable	Discontinuous Unpredictable
Strategic Aggressiveness	Stable	Reactive	Anticipatory	Entrepreneurial	Creative
	Based on Precedents	Incremental Based on Experience	Incremental Based on Extrapolation	Discontinuous Based on Expected futures	Discontinuous Based on Creativity
CSR Stakeholder Approach	Stakeholder information with no interaction	Stakeholder debate	Stakeholder dialogue and informal contacts	Interactive strategic stakeholder dialogue	Forming partnership and alliances
Change Management	Resist change	Change only for existing social and environmental issues	Change for anticipated social and environmental issues	Change for any potential risk and opportunity	Integrate creative change
Responsiveness to Customer Needs	No changes in products or services	Slow changes	Frequently adapt in small ways	Identify unfilled needs	Innovative product or service creation
Degree of strategic integration	Maintain CSR strategy isolation	Integrate with marketing activities	Integrate to business operations	Integrate to business strategy	Integrate to sustainability strategy

Dimensions of CSR, stakeholder management, and competitive analysis are largely normative methods used to describe what companies should or should not do in terms of social responsibility. In order to build strategic CSR, it is critical that companies distinguish social responsibilities from social issues (Porter & Kramer, 2006; Galbreath, 2009). Although implicit societal issues are important, strategic CSR is a systematic process each company creates to respond to their explicit social responsibilities (Drucker, 1984; Porter & Kramer, 2006). Companies who can fulfill those needs are expected to gain competitiveness and add social value to their companies (Porter & Kramer, 2006). In this study, CSR as a strategy particularly aims at the social and environmental aspects of doing business.

CSR strategic aggressiveness refers to the level of CSR initiatives undertaken by the company that can both relate and not relate to the company business (Bhattacharyya, 2010). Iturrioz el at. (2009) surveyed 245 SMEs in Spain and argued that CSR activities associate with business value of a company if the activities aligned with the company's business strategy. Results showed that higher levels of CSR strategic alignment generate higher business value for the company.

Engaging relevant company stakeholders allows the company to identify, understand, and respond to their issues and concerns. Effective stakeholder engagement enables a company to minimize risks and maximize business opportunities. Additionally, companies can gain business benefits including better management of opportunities, risks, and reputation; a complementary pool of resources such as knowledge, people, and technology to solve problems; a better understanding of the complex operating environments; and an ability to develop trust-based and transparent stakeholder relationships (AA1000 Final Draft, 2011). Active and continuous dialogue with employees and customers through meetings, workshops, or written communication is a tool for continuous improvement of existing products and services and development of new opportunities in the market (UNIDO-SMEs Guide, 2011).

CSR Capability Responsiveness

Bhattacharyya (2010) stated that all company resources have an opportunity cost. A company will gain competitive advantage if it uses slack resources to create strategic resources through CSR initiatives. Small businesses limited access to resources often result in limited negotiating and leveraging power, which is required to respond and react to changes in the economic and social environment. CSR capability responsiveness is demonstrated through the ability of a company's CSR management to respond to stakeholders' demands regarding societal needs, while also optimizing company economic performance (Ibrahim, 2012). CSR capability responsiveness consists of the competence and capacity of owners, managers, and staff in CSR function; the climate and culture of CSR function; and the implementation of CSR within the company.

This study's element of CSR capability responsiveness is drawn from the elements of Ansoff and McDonnell's (1990) capability responsiveness, Lorton's (2006) research of environmental management system capability responsiveness, and Ibrahim's (2012) studies regarding CSR management system responsiveness of MNCs in Palestine. Table 8 shows the five levels of CSR capability responsiveness that correspond to the five levels of CSR turbulence.

Table 8

CSR Capability Responsiveness

	Turbulence Level				
	1	2	3	4	5
Environmental Turbulence	Repetitive	Expanding	Changing	Discontinuous	Surprising
	Repetitive	Slow Incremental	Fast Incremental	Discontinuous Predictable	Discontinuous Unpredictable
Capability Responsiveness	Custodial	Production	Marketing	Strategic	Flexible
	Precedent Driven	Efficiency Driven	Market Driven	Environment Driven	Seeks to create Environment
Surveillance of social and environmental issues	None	←		→	Continuous
CSR policies and programs	CSR policies and programs are not part of a company	←		→	Formal CSR policies and programs to all employees
Owners/managers knowledge of CSR policies, programs, and processes	Minimal (rely on consultants)	←		→	Expert in the field
Staff communication of company's CSR	No communicating or training	←		→	Staff initiate goals of CSR
Attitude toward risk	Avoid risk	Accept familiar risks and opportunities	Seek familiar risks and opportunities	Seek unfamiliar risks and opportunities	Seek novel and creative risks and opportunities

According to Spence and Rutherfoord (2003), both the attitudes and behaviors of owners and managers toward ethical and norms significantly affect relationships with suppliers, customers, and employees. Additionally, Spencer and Lozano (2000) showed that the values of small business owners significantly influence the CSR behaviors of their company. Owners and managers knowledge of CSR and awareness of issues affect the way they engage in CSR (Spence & Rutherfoord, 2001). Although CSR consultants can provide substantial information to companies, if owners and managers do not know how to utilize the information, they will not be able to respond to CSR issues effectively. The background of a small business owner also plays a major role in ethical values of many small family owned businesses.

Additionally, employees are main drivers of small business success (Hammann, Habisch, & Pechlaner, 2009). However, to be able to implement CSR effectively, studies have shown that employees also need to be engaged in the process (Fisher, Geenen, Jurcevic, McClintock, & Davis, 2008). Furthermore, employees require more training and understanding of a company's CSR objective in order to achieve high CSR performance. They are more likely to be open-minded and participate in CSR programs if they believe their company will respond to their effort (Iturrioz el at., 2009).

CSR Strategic Posture of Small Business

According to Ansoff and McDonnell, strategic posture of a company is a combination of portfolio strategy with competitive postures in the company's strategic business area (Ansoff & McDonnell, 1990, p. 491). The strategic posture is derived from diagnosing the future levels of environmental turbulence, the desired strategic aggressiveness, and capability responsiveness of the company. The present study adopted the definition of strategic posture for the analysis of CSR strategic posture. As a result, developed only for this study, CSR strategic posture is a combination of CSR strategy with competitive postures in a company's CSR programs.

Based on a guideline developed by the Euro Commission (2002) specifically regarding small and medium enterprises, four core programs of CSR strategy will be used in this study to investigate the impact of CSR strategic posture to small business performance. The four core programs included environment, workplace, marketplace, and community.

Environment: activities relating to the protection of the environment and sustainable development that focuses on efficient use of resources and the reduction of waste and pollution by using instruments such as environmental management systems, eco design tools, eco labels or cleaner production techniques and technologies (Mandl & Dorr, 2007).

Workplace: activities dealing with the improvement of working conditions; pay and benefits or job creation; work and life balance; equal opportunities and diversity; job satisfaction; training and staff development; responsible and fair remuneration; and health, safety, and labor rights. In the workplace areas, CSR initiatives also refer to communication and information to employees or giving them the opportunity and empowerment to participate in the decision-making processes. CSR activities in this area focus mainly on internal stakeholders, which are employees (Mandl & Dorr, 2007).

Market: activities that involve improving quality or safety of products, innovation, fair pricing, and ethical advertising. The external stakeholders: customers, business partners, and suppliers are three critical focused of these activities (Mandl & Dorr, 2007).

Community: activities that associate with aspects of community involvement, social integration, education, healthcare, quality of life (sports/culture), economic regeneration and employment, and local infrastructure. Additionally, this area encompasses security and voluntary engagement including donations and services provided with free of charge. CSR activities in the community area often involve working together with local community organizations or institutions such as schools, hospitals, environmental groups, and sports club; and public authorities and non-governmental organizations (NGOs). The activities under the community area all focus on the benefit of the society (Mandl & Dorr, 2007).

Proactive and Reactive CSR Strategy

Companies' CSR strategies vary greatly ranging from doing nothing to doing everything (Carroll, 1979). In 1995, Clarkson proposed the reactive-defensive-accommodative-proactive (RDAP) scale, which was adapted from the previous works of McAdam in 1973, Wartick and Cochran in 1985, and Carroll in 1979. The RDAP scale describes a company's CSR strategic posture toward the management of stakeholder issues. The first scale, reactive, is rated as deny responsibility of the existence of CSR strategic posture; a company is doing less than required. In the second scale, defensive, a company targets CSR strategic posture at the minimum responsibility level required. In the third scale, accommodative, a company responds to all issues that are required. In the fourth and final scale, proactive, a company is willing to go beyond the required level. Clarkson argued that while Carroll's earlier posture scale attempted to measure a company's CSR performance, it lacked a clear definition of who requires a company's particular CSR. As a result, stakeholder management solves that issue by identifying the parties involved in a company's CSR strategy (Clarkson, 1995).

Based on the RADP scale, Torugsa, O'Donohue, and Hecker (2012) conducted an empirical study examining the role of economic, social, and environmental dimensions of proactive CSR on the association between capabilities (shared vision, stakeholder management, and strategic proactivity) and financial performance of small businesses in Australian. The data was collected from the Australian machinery and equipment-manufacturing sector. Results revealed that proactive CSR activities could enhance financial performance, and hence contribute to a competitive advantage, if economic, social, and environmental dimensions were adopted in an integrated and synergistic manner within a small business. In addition, the study indicated that for small businesses to remain financially competitive, business strategy should address and incorporate CSR issues (Torugsa et al., 2012).

Aragon-Correa et al. (2008) investigated the relationship between proactive environmental strategy and performance of small businesses in Southern Spain. The author summarized that the slack resource disadvantage of small businesses compared to large corporations does not prevent their capability to adopt a proactive environmental strategy. The study suggested that companies' environmental strategies range from reactive strategies that merely aim to meet legal requirements and implement pollutions controls, to more proactive strategies that aim beyond regulatory compliance. These proactive strategies include voluntary practices, pollution prevention, and re-designing business models to minimize the ecological footprint along the entire product life cycle.

The study resulted in a positive and significant relationship between proactive environmental strategies and performance of the company.

Proactive and reactive CSR strategies create different impacts on consumers' attitudes toward the company (Becker-Olsen, Cudmore, & Hill, 2006; Groza, Pronschinske, & Walker, 2011). Studies show that companies that pursue CSR proactively –prior to any negative information being received by consumers –yield more favorable responses from consumers than by acting in a reactionary manner. As a result, the increase in consumer's purchase intention is expected. On the other hand, reactive CSR initiatives, involving engaging in CSR after a report of an irresponsible action, lead to negative thoughts and reduced attitudes toward the company (Becker-Olsen el at., 2006).

Zadek (2007) proposed five stages that companies took toward corporate responsibility. The five stages are defensive, complaint, managerial, strategic, and civil.

Defensive: "It is not our job to fix that". At this stage, companies are denying existence of social responsibility. They defend against attacks that could affect short-term sales, recruitment, productivity, and the brand. The legal and communication teams design and implement actions that either outright rejection the allegations or they deny the links between the company's practices and the alleged negative outcomes.

Compliant: "We will do just as much as we have to". This stage is when company adopts a policy-based compliance approach as a cost of doing business. A company's objective is compliance to mitigate the erosion of economic value in the medium term because of ongoing reputation and litigation risks.

Managerial: “It is the business, stupid”. In the managerial stage, companies realize that they are facing a long-term problem that cannot be solved by the two previous stages. As a result, companies give managers the responsibility to understand the social issue, develop a solution, and integrate responsible business practices into daily operations. Companies aim to mitigate medium term erosion of economic value and achieve longer-term gains.

Strategic: “It gives us a competitive edge”. Companies are integrating the societal issue into their core business strategies when they are at this stage. CSR practices are aligned business practices to contribute to a company’s long-term success.

Civil: “We need to make sure everybody does it”. Companies are promoting broad industry participation in corporate responsibility to enhance long-term economic value and realize gains through collective action.

With many descriptions of CSR strategic posture, this study adopted the description of the RADP scale and classified small businesses’ CSR activities into proactive and reactive posture, similar to study of Torugsa et al. in 2012. Under the scope of this study, a reactive CSR strategic posture referred to a company’s CSR activities at the level below or minimum required for non-voluntary regulatory compliance. On the other hand, a proactive CSR strategic posture is categorized as a company’s CSR activities at the active and voluntary practice levels and beyond the regulatory required level. This study hypothesized small businesses who behave proactively in their CSR activities can achieve more competitive advantage than small businesses who respond in reactive behaviors. Moreover, small businesses who integrated their CSR activities into their business strategy are expected to have higher performance than companies who do not incorporate CSR issues into their business strategy.

Performance of Small Business

One difficulty with the studies to date is the variability of performance measurements, especially in the case of small business. Small business performance is usually evaluated through monetary factors; however, the absence of non-monetary factors created an under measurement (Weber, 2008). This study recognizes the importance of non-monetary performance on CSR activities. As a result, this study's examination of the impact of CSR practices to company performance will consider both social and financial performance.

As Wood and Jones (1995) acknowledged, social performance measure should include a variety of factors, not just one, in order to account for the complexity of social performance. This study supported the concept by using a combination of social performance measurements, the most common measures cited in existing CSR literature, to obtain an overall social performance of the companies. The social performance indicators were environment, customer relations, employee relations, and community relations. The model of measurement in this study was adapted from Sweeny's (2009) empirical study on the current practice of corporate social responsibility (CSR) and an examination of the relationship between CSR and financial performance using structural equation modeling (SEM). Since the disclosure of social performance and its impact on financial performance is limited and not standardized, unlike larger corporations, this study measured financial performance by collecting self-assessment information from owners or managers of small businesses.

Table 9 presents a summary of literatures relevant to the study's research problem.

Table 9

Summary of Literatures

Literature Categories	**Name of author(s)**
Strategic Management and Management	Ansoff & McDonnell (1990) Bhattacharyya (2009, 2010) Burke & Logsdon (1996) Carroll & Shabana (2010) Clarkson (1995) Drucker (1973, 1984) Freeman (1984) Friedman (1970) Porter & Kramer (2002, 2006 & 2011) RARE (2005) Vilanova (2010) Wood & Jones (1995) Wood (1991, 2010) Wood (1997) Zadek (2001)
Corporate Social Responsibility (CSR)	Acquier, A., Gond, J., & Pasquero, J. (2011) Bowen, H. R. (1953) Burke & Logsdon (1996) Carroll A. B. (1991, 1979, 1999) Dahlsrud, A. (2008) Drucker (1973, 1984) European Commission (2012) Kurucz, Colbert & Wheeler (2008) McWilliams, Siegel, & Wright (2005) Moir, L. (2001) Porter & Kramer (2002, 2006 & 2011) RARE (2006) UN Global Compact. (2007) UNIDO-SMEs Guide. (2011) Valor (2005) Wartick & Cochran (1985) Zadek, S. (2007)

CSR (Empirical research)	Allouche, & Laroche (2005) Becker-Olsen, Cudmore & Hill (2006) De Bakker, Groenewegen & Den Hond (2005) European Commission (2012) Griffin & Mahon (1997) Ibrahim (2012) Margolis, Elfenbein & Walsh (2007) Murillo & Lozano (2009) Orlitzky, Schmidt & Rynes (2003) Pava & Krausz (1996) Spence & Rutherfoord (2003) Spence (1999, 2007) Williamson, Lynch-Wood & Ramsay (2006)
CSR in small business	AA1000 Final Draft (2011) Apospori, Zografos & Magrizos (2012) Graafland, Van de Ven & Stoffele (2003) Hammann, Habisch & Pechlaner (2009) Iturrioz, Aragón, Narbaiza & Ibañez (2009) Jenkins (2004, 2006, 2009) Kechiche & Soparnot (2012) Kraxberger (2007) Kusyk & Lozano (2007) Lepoutre & Heene (2006) Luken & Stares (2005) Mandl & Dorr (2007) Morsing & Perrini (2009) Perrini (2006) Perrini, Russo & Tencati (2007) Russo & Perrini (2010) Russo & Tencati (2009) Santos (2011) Spence, Schmidpeter & Habisch (2003) Tilley (2000)
CSR in small business (Empirical research)	AccountAbility (2006) Aragón-Correa, Hurtado-Torres, Sharma & García-Morales (2008) Fisher, Geenen, Jurcevic, McClintock & Davis (2008) Murillo & Lozano (2006) Spence & Lozano (2000) Spence & Rutherfoord (2001) Torugsa, O'Donohue & Hecker (2012)

Research Questions and Hypotheses

Research Question 1

What is the relationship between CSR strategic aggressiveness gap and company social performance?

Hypothesis 1

There is a reliable relationship between CSR strategic aggressiveness gap and company social performance.

Research Question 2

What is the relationship between CSR capability responsiveness gap and company social performance?

Hypothesis 2

There is a reliable relationship between CSR capability responsiveness gap and company social performance.

Research Question 3

What is the relationship between CSR strategic aggressiveness and CSR strategic posture?

Hypothesis 3

There is a reliable relationship between CSR strategic aggressiveness and CSR strategic posture.

Research Question 4

What is the relationship between CSR capability responsiveness and CSR strategic posture?

Hypothesis 4

There is a reliable relationship between CSR capability responsiveness and CSR strategic posture.

Research Question 5

What is the relationship between CSR strategic posture and company social performance?

Hypothesis 5

There is a reliable relationship between CSR strategic posture and company social performance.

Research Question 6

What is the relationship between CSR strategic posture gap and company social performance?

Hypothesis 6

There is a reliable relationship between CSR strategic posture gap and company social performance.

Research Question 7

What is the relationship between company social performance and company financial performance?

Hypothesis 7

There is a reliable relationship between company social performance and company financial performance.

Research Variables

The following section provides the conceptual and operational definitions for the independent, dependent, and intervening variables of this study. CSR strategic posture was also used as an independent variable in the evaluation of Hypothesis 5. In addition, social performance was used as an independent variable in Hypothesis 7.

Independent Variables

CSR Turbulence

Conceptual Definition: CSR turbulence is the changeability in an environment characterized through the complexity, rapidity, and predictability of change in social and environmental issues.

Operating Definition: CSR turbulence is the arithmetic mean of the scores for each respondent from the following three survey questions. The value of each answer is measured on 5-point interval Likert scales. The answers to following survey questions have been adapted from Lorton's (2006) environmental management strategies survey and Loebbaka's (2008) safety management survey, both of which have been tested to determine environment turbulence levels.

Complexity of issues.

Question 1: Please indicate which answer best describes the complexity of issues pertaining CSR in your business?

1. Issues are not at all difficult or complex.
2. Issues are slightly difficult and complex.
3. Issues are moderately difficult and complex.
4. Issues are usually difficult and complex.

5. Issues are always very difficult and complex.

Pace of change.

Question 2: Please indicate which answer best describes your company's ability to react to changes in CSR issues?

1. Changes are usually so rare that we don't worry about them.
2. When changes arise, we usually can react easily.
3. When changes arise, we can usually react in time.
4. When changes arise, we are usually trying to catch up.
5. Changes happen all the time. We struggle to keep up.

Predictability of the change.

Question 3: Please indicate which answer best describes the predictability of changes in CSR issues in your business?

1. Changes are usually so rare that we don't worry about them.
2. We know what changes are coming well ahead of time.
3. We can usually anticipate that changes will occur, but not always when.
4. We can sometimes anticipate changes, but we are occasionally surprised.
5. We can rarely anticipate changes. The changes are usually surprises.

CSR Strategic Aggressiveness

Conceptual definition: CSR strategic aggressiveness refers to the discontinuity and the speed at which CSR strategies are developed and implemented. It represents the extent of companies' CSR behaviors toward stakeholder approach, change management, responsiveness to customer needs, and degree of strategic integration.

Operational definition: CSR strategic aggressiveness is the arithmetic mean of the scores for each respondent from the following four questions. The value of each answer is measured on 5-point interval Likert scales. The answers to survey questions 4 thru 6 have been adapted from Lorton's (2006) environmental management strategies survey, Ibrahim's (2012) role of sustainability corporate social responsibility programs in MNCs in Palestine survey, and Kelly's (2008) social impact of human service in nonprofit organizations (HSNPs) survey. Surveys in these studies have been tested to determine strategic aggressiveness levels. The answers to question 7 have been adapted from Sweeney's (2009) surveys that have been tested to determine CSR activities of small businesses.

CSR stakeholder approach.

Question 4: How would you characterize your company's approach for interacting with external stakeholders such as customers, suppliers, and community on issues pertaining CSR?

1. We rarely interact with them, if at all.
2. We interact infrequently with them, and only when necessary.
3. We interact occasionally with them on current issue only.
4. We interact occasionally with them on both current issues and on potential future issues.
5. We interact early and often with them on many issues.

Change management.

Question 5: What is your company's approach to change on issues pertaining to CSR?

1. We deal with changes only when the changes are mandatory.
2. We wait until the changes are imminent.
3. We predict what existing issues are changing and plan accordingly.
4. We try to anticipate what new issues will arise and plan accordingly.
5. We work to promote issues to our benefit.

Responsiveness to customer needs.

Question 6: What best describes your organization's response to customer needs?

1. We have not changed our product/service in years.
2. We normally only need to adapt our products/services with small changes.
3. We need to quickly adapt our products/services, but usually with only small changes.
4. We work to develop new products/services or make significant changes in our current products/services to meet new customer desires.
5. We innovatively create products to solve problems for customers.

Degree of strategic integration.

Question 7: Please indicate the extent to which you agree or disagree with the following statement (from 1 to 5, where 1 = Strongly disagree and 5 = Strongly agree).

"Our CSR activities are closely related to our business strategy."

CSR Capability Responsiveness

Conceptual definition: CSR Capability Responsiveness is defined as the degree to which management of the company responds to change in issues pertaining CSR. It includes a company's CSR policies and programs; surveillance of social and environmental issues; owners or managers knowledge of CSR policies, programs, and processes; staff communication of company's CSR; and attitude toward risk.

Operational definition: CSR Capability Responsiveness is the arithmetic mean of the scores for each respondent from the following questions using 5-point interval Likert scales. The answers to the following survey questions have been adapted from Lorton's (2006) environmental management strategies survey, Loebbaka's (2008) safety management survey, and Ibrahim's (2012) survey regarding the role of sustainability in corporate social responsibility programs. Surveys in these studies have been tested to determine capability responsiveness levels.

CSR policies and programs.

Question 8: Please indicate to what extent are your CSR policies and programs developed and disseminated (ranging from 1 to 5, where 1 = No formal policies or programs and 5 = Disseminated to all employees and to outside stakeholders)?

Surveillance of social and environmental issues.

Question 9: Please indicate how much time do you or your staffs devote to keeping up to date and researching CSR issues (ranging from 1 to 5, where 1 = Not at all and 5 = Significant of time)?

Owners or managers knowledge of CSR policies, programs, and processes.

Question 10: What will you rate your knowledge of CSR policies, programs, and processes (ranging from 1 to 5, where 1 = Minimal knowledge and 5 = Expert knowledge)?

Staff communication of company's CSR.

Question 11: What is the overall level of communicate about CSR policies and programs to staff (ranging from 1 to 5, where 1 = No communication or training and 5 = Communicate and provide training to all employees)?

Attitude toward risk.

Question 12: What is your organization's attitude toward risk and uncertainty in CSR activities?

1. Avoid risk as much as possible.
2. Accept risk only when there is maybe a current benefit.
3. Accept risk when a future benefit is almost certain.
4. Accept risk when there is a potential, but uncertain, future benefit.
5. Push for new regulations and/or innovative CSR programs.

CSR Strategic Posture

Conceptual definition: CSR strategic posture represents the extent to which four-core CSR programs (environmental program, workplace program, market program, and community program) are either reactive or proactive. A reactive CSR activity focuses only at the level below or minimum required for non-voluntary regulatory compliance and addresses compliance issues only when they arise. A proactive CSR activity focuses not only on non-voluntary regulatory compliance, but expands considerably to include voluntary CSR practice levels that can lead to operational effectiveness, competitive advantage, and long-term strategic performance.

Operational definition: CSR strategic posture is measured as the arithmetic mean of the CSR activities within four core areas listed below, using 5-point interval Likert scales. The overall average score is based on individual's responses ranging from 1 to 5, where a score of 1 represents a completely reactive CSR strategy and a score of 5 represents a totally proactive CSR strategy. The answers to the following survey questions have been adapted from Sweeney's (2009) surveys that tested to determine CSR activities of small businesses.

Environmental.

Question 13: Please indicate to which extent is your company involved in the following programs, beyond mandatory requirement, ranging from 1 to 5, where 1 = Not at all and 5 = To a great extent)?

- Waste reduction program
- Recycling program
- Energy conservation program
- Water conservation program
- Air pollution emission reduction program
- Packaging reduction program
- Sustainable transportation program
- Wastewater reduction program

Workplace.

Question 14: Please indicate to which extent is your company involved in the following activities, beyond mandatory requirement, ranging from 1 to 5, where 1 = Not at all and 5 = To a great extent)?

- Performance appraisal
- Career training and development program

- Health benefits program
- Equal employment opportunities (against all forms of discrimination)
- Flexible work hours
- Commitment of health and safety programs
- Ensuring a work/life balance among employees

Market.

Question 15: To what extent does your company supply clear and accurate information and labeling about products and services, including after sales (ranging from 1 to 5, where 1 = At a minimum and 5 = To a great extent)?

Question 16: To what extent does your company resolve customer complaints in a timely manner (ranging from 1 to 5, where 1 = At a minimum and 5 = To a great extent)?

Question 17: To what extent are quality assurance criteria adhered to in production (ranging from 1 to 5, where 1 = At a minimum and 5 = To a great extent)?

Question 18: To what extent is your company committed to providing value to customers (ranging from 1 to 5, where 1 = At a minimum and 5 = To a great extent)?

Community.

Question 19: To what extent does your company donate to charity (ranging from 1 to 5, where 1 = Not at all and 5 = To a great extent)?

Question 20: To what extent is your company actively involved in a voluntary project(s) with the local community (ranging from 1 to 5, where 1 = Not at all and 5 = To a great extent)?

Question 21: To what extent does your company have purchasing policies that favor the local communities in which your company operates (ranging from 1 to 5, where 1 = Not at all and 5 = To a great extent)?

Question 22: To what extent does your company have recruitment policies that favor the local communities in which your company operates (ranging from 1 to 5, where 1 = Not at all and 5 = To a great extent)?

Dependent Variables

Social Performance

Conceptual definition: A measure of positive and negative results and effects of the CSR activities in CSR strategy to a company's social performance in the following areas: general reputation gain, ability to attract and retain qualified employees, and ability to attract and retain customers.

Operational definition: Social performance was measured as the arithmetic mean of the elements listed below from each individual respondent, using 5-point interval Likert scales. The answers to the following survey questions have been adapted from Sweeney's (2009) survey that tested to determine CSR performance of small businesses.

Employee attraction and retention.

Question 23: Please indicate the extent to which you agree or disagree with the following statement (ranging from 1 to 5, where 1 = Strongly disagree and 5 = Strongly agree).

"Our company finds it easy to attract new employees".

Question 24: Please indicate the impact of the CSR activities of your company on employee recruitment (ranging from 1 to 5, where 1 = Strong negative impact and 5 = Strong positive impact).

Question 25: What is the typical length of employment (tenure) in your company?

1. Less than 1 year
2. 1-3 years
3. 3-5 years
4. 5-10 years
5. Over 10 years

Question 26: Please estimate the percentage of current employees that were recommended to the company by other employees.

1. 0-20%
2. 21-40%
3. 41-60%
4. 61-80%
5. 81-100%

Question 27: Please estimate the level of job satisfaction among employees in your company (ranging from 1 to 5, where 1 = Highly dissatisfied and 5 = Highly satisfied?

Question 28: Please indicate the impact of the CSR activities of the company on employee retention (ranging from 1 to 5, where 1 = Strong negative impact to 5 = Strong positive impact).

Question 29: How does the level of absenteeism in the company relate to the average of the sector/business in which the company operates (ranging from 1 to 5, where 1 = Much higher than average of the sector/business and 5 = Much lower than average of the sector/business)?

Question 30: Please indicate the impact of the CSR activities of the company on employee motivation (ranging from 1 to 5, where 1 = Strong negative impact and 5 = Strong positive impact).

Customer Attraction and Loyalty.

Question 31: Please estimate the percentage of sales in 2012 that normally were from repeat customers.

1. 0-20 %
2. 21-40 %
3. 41-60%
4. 61-80%
5. 81-100%

Question 32: Please estimate the percentage of new sales in 2012 that came about as a result of recommendations from your current customers.

1. 0-20%
2. 21-40%
3. 41-60%
4. 61-80%
5. 81-100%

Question 33: Please estimate the percentage of current customers you would describe as loyal customers (have a positive attitude about the company, recommend the company/products to others, and make repeat purchase).

1. 0-20%
2. 21-40%
3. 41-60%
4. 61-80%
5. 81-100%

Question 34: Please indicate the impact of the CSR activities of the company on customer loyalty (ranging from 1 to 5, where 1 = Strong negative impact and 5 = Strong positive impact).

Reputation.

Question 35: Please indicate the rating you believe your CUSTOMERS would give your company on the following criteria (ranging from 1 to 5, where 1 = Not very good and 5 = Very good).

- Quality products and services
- Quality of staff
- Environmental responsibility
- Community responsibility

Question 36: Please indicate the rating you believe your EMPLOYEES would give your company on the following criteria (ranging from 1 to 5, where 1 = Not very good and 5 = Very good).

- Quality products and services

- Quality of staff
- Environmental responsibility
- Community responsibility

Question 37: Please indicate the rating you believe your COMMUNITY would give your company on the following criteria (ranging from 1 to 5, where 1 = Not very good and 5 = Very good).

- Quality products and services
- Quality of staff
- Environmental responsibility
- Community responsibility

Question 38: Please indicate the rating you believe your OTHER COMPANIES IN YOUR SECTOR would give your company on the following criteria (ranging from 1 to 5, where 1 = Not very good and 5 = Very good).

- Quality products and services
- Quality of staff
- Environmental responsibility
- Community responsibility

Question 39: Please indicate the impact of the company's CSR activities on the reputation of the company in general (ranging from 1 to 5, where 1 = Strong negative impact and 5 = Strong positive impact).

Financial Performance

Conceptual definition: The measure of positive and negative results and effects of CSR activities in CSR strategy to a company's finances.

Operational definition: Financial performance was measured as the arithmetic mean of the questions below from each individual respondent, using 5-point interval Likert scales. The answers to the following survey questions have been adapted from Sweeney's (2009) survey that tested to determine CSR performance of small businesses.

Question 40: Please indicate how net profit of the firm in 2012 related to expectations (ranging from 1 to 5, where 1 = Much lower than expectations and 5 = Much higher than expectations).

Question 41: How did sales of the company in 2012 relate to the last five years (or years of existence, if less)?

1. Substantial decrease from previous year
2. Decrease from previous year
3. Same as previous year
4. Increase from previous year
5. Substantial increase from previous year

Question 42: Please indicate the impact of the CSR activities of the company on the financial performance of the company (ranging from 1 to 5, where 1 = Strong negative impact and 5 = Strong positive impact).

Question 43: Please indicate the extent to which your company has experienced any of the following benefits from your CSR activities (ranging from 1 to 5, where 1 = Not at all and 5 = To a great extent).

- Improved community relations
- Enhanced company image
- Improved employee attraction

- Improved employee retention
- Improved employee motivation
- Increased sales (customer attraction)
- Improved customer loyalty
- Reduced costs
- Improved access to capital (banks or investors)

Intervening Variables

CSR Strategic Aggressiveness Gap

Conceptual definition: CSR strategic aggressiveness gap is the degree of misalignment of CSR strategic aggressiveness to CSR turbulence. A small gap indicates a good alignment between CSR strategic aggressiveness and CSR turbulence

Operational definition: CSR strategic aggressiveness gap is calculated as the absolute difference between the scores of CSR strategic aggressiveness and CSR turbulence for each respondent. CSR strategic aggressiveness gap can range in value from 0 to 4.

CSR Capability Responsiveness Gap

Conceptual definition: CSR capability responsiveness gap is the degree of misalignment of CSR capability responsiveness to CSR turbulence. A small gap indicates a good alignment between CSR capability responsiveness and CSR turbulence

Operational definition: CSR capability responsiveness gap is calculated as the absolute difference between the scores of CSR capability responsiveness and CSR turbulence for each respondent. CSR capability responsiveness gap can range in value from 0 to 4.

CSR Strategic Posture Gap

Conceptual definition: CSR strategic posture gap is the degree of misalignment of CSR strategic posture to CSR turbulence. A small gap indicates a good alignment between CSR strategic posture and CSR turbulence.

Operational definition: CSR strategic posture gap is calculated as the absolute difference between the scores of CSR strategic posture and CSR turbulence for each respondent. CSR capability responsiveness gap can range in value from 0 to 4.

CHAPTER 3

Research Methodology

This chapter describes the research strategy and procedures used to evaluate the research hypotheses outlined in Chapter 2B. In addition, this chapter presents the selection and description of data sources, data collection, methods used for data analysis, methodological assumptions, and limitations of the study.

Research Strategy

The goals of this study were to evaluate CSR strategic aggressiveness, CSR capability responsiveness, CSR turbulence, and to identify the optimal CSR strategic posture for small businesses. The study hypothesized that small business performance optimization occurs when CSR strategic aggressiveness, CSR capability responsiveness, and CSR strategic posture are aligned with CSR turbulence. The methodology for this study was based on Ansoff and McDonnell's (1990) Strategic Success Model.

This study evaluated five independent variables, three intervening variables, and two dependent variables. CSR strategic posture was a dependent variable in two of the hypotheses and was an independent variable in one hypothesis. Social performance was an independent variable in hypothesis 7. All variables were measured on 5-point interval Likert scales. The research consisted of statistical hypotheses testing using a descriptive correlation approach.

Data Sources

Definition of Small Business

The U.S. Small Business Administration (SBA) defines a business as:

- an entity that is organized for profit;

- is located in the United States;
- operates primarily within the United States or makes a significant contribution to the U.S. economy through payment of taxes or use of American products, materials, or labor;
- is independently owned and operated; and
- is not dominant in its field on a national basis.

The business may be a sole proprietorship, partnership, corporation, or any other legal form. SBA has established a Table of Small Business Size Standards, which is matched to the North American Industry Classification System (NAICS) industries. A size standard, which is usually stated in number of employees or average annual receipts, represents the largest size that a business (including its subsidiaries and affiliates) may be to remain classified as a small business for SBA and Federal contracting programs (SBA, 2012a).

Research Population

This study only included small businesses that were registered in the U.S. government sponsored official databases, namely Central Contractor Register (CCR) and/or Dynamic Small Business Search (DSBS). Only small businesses registered and listed in the Dynamic Small Business Search (DSBS) database were the target population for this study, since CCR covers both large and small businesses.

A study from TNC Gallup (2005) suggested that the size of small businesses is associated with CSR practices; the larger the size, the more CSR practices observed. As a result, to maintain the consistence of this study, number of employees was used to control the size of the company. Thus, the external risks and pressures from legislations in each business sector were different. This is important since a study conducted by Graafland, Van de Ven, & Stoffele (2003) summarized that sector differences affect the degree of implementing CSR instruments. Their study found that metal manufacturing and construction sectors use formal instruments more actively than financial service and retail sectors. As a result, to enhance the effectiveness of this study's analysis, the sector of operation was controlled by business code established by NAICS (NAICS Definition, 2012) (as shown in Appendix: A). In addition, not classifying populations in this study into sectors might be debatable. However, it was not the intention of this study to present a universal development strategy that would be applicable to all small companies listed in the United States. Rather, the study's focus was on understanding the relationships among factors and explaining the present perception of CSR in the target population. As a result, having the population in the same code of business conduct seemed appropriate for this study.

The number of companies used in the study came from the DSBS database website (http://dsbs.sba.gov/dsbs/search/dsp_dsbs.cfm) by sector of operation. The sample population was small businesses that listed their general nature of business as manufacturing (see Appendix A for a detailed description). Using the DSBS database, 9,643 small businesses were retrieved on February 7, 2013. Their information was cut and pasted into a computer spreadsheet, and after removing small business without contact email addresses, 2,821 small businesses were left in the sampling and exported to Qualtrics Online Survey Software's panel list. Appendix B categorizes the businesses by state of location. The intended survey respondents were owners, senior managers, or individuals who have responsibility for CSR strategy in the selected small businesses.

Data Collection and Analysis

Data Collection

All data collected for this study were primary data, and the data collection process was survey questionnaire. The survey questionnaire was set-up online using Qualtrics Online Survey Software and emailed to the contact person identified as the point of contact in the DSBS database. The study was based on perceptions of managers who had been responding and were involved with CSR management and planning in their company.

Data Analysis

The empirical data were collected, evaluated, and analyzed using correlation (Pearson's r). Data were statistically analyzed using the SPSS program to test the hypotheses of the study. A correlation was run to test each hypothesis with one dependent and one independent variable. This study used a 5% value as the statistical significance ($p<0.05$). Table 10 presents a summary of hypotheses of this study.

Table 10

Summary of Hypotheses

Research Hypothesis		Null Hypothesis
H1	There is a reliable relationship between CSR strategic aggressiveness gap and company social performance.	There is no relationship between CSR strategic aggressiveness gap and company social performance.
H2	There is a reliable relationship between CSR capability responsiveness gap and company social performance.	There is no relationship between CSR capability responsiveness gap and company social performance.
H3	There is a reliable relationship between CSR strategic aggressiveness and CSR strategic posture.	There is no relationship between CSR strategic aggressiveness and CSR strategic posture.
H4	There is a reliable relationship between CSR capability responsiveness and CSR strategic posture.	There is no relationship between CSR capability responsiveness and CSR strategic posture.
H5	There is a reliable relationship between CSR strategic posture and company social performance.	There is no relationship between CSR strategic posture and company social performance.
H6	There is a reliable relationship between CSR strategic posture gap and company social performance.	There is no relationship between CSR strategic posture gap and company social performance.
H7	There is a reliable relationship between company social performance and company financial performance.	There is no relationship between company social performance and company financial performance.

Research Variables

The variables measured by the survey questionnaire were CSR turbulence, CSR strategic aggressiveness, CSR capability responsiveness, CSR strategic posture, social performance, and financial performance.

CSR Turbulence

Calculation: (Q1 + Q2 + Q3) / 3

Questions 1 through 3 measured CSR turbulence. Question 1, 2, and 3 respectively measured complexity, rapidity of change, and predictability of change to issues pertaining to CSR. CSR turbulence was calculated through average scores on an interval Likert scale of 1 to 5 for the three questions answered by respondents. If a question was not answered, the score for this variable was based on the average of the remaining two questions.

CSR Strategic Aggressiveness

Calculation: (Q4 + Q5 + Q6 + Q7) / 4

Questions 4 through 7 measured CSR strategic aggressiveness. Question 4 was designed to measure the company's stakeholder approach. Question 5 was designed to measure the company's approach to change on issues pertaining to CSR. Question 6 measured the degree of the company's responsive to customers' needs. Lastly, question 7 was designed to measure the level of integration between CSR strategy and the company's business strategy. CSR strategic aggressiveness was calculated through average scores on an interval Likert scale of 1 to 5 for the four questions answered by respondents. If a question was not answered, the score for this variable was based on the average of the remaining questions.

CSR Capability Responsiveness

Calculation: (Q8 + Q9 + Q10 + Q11 + Q12) / 5

Questions 8 through 12 were designed to measure CSR capability responsiveness. Question 8 measured the degree of the company's CSR policies and programs development. Question 9 was designed to measure surveillance of social and environmental issues of the company. Question 10 was designed to measure owners or managers knowledge of CSR policies, programs, and processes. Question 11 measured the level of communication regarding CSR policies and programs. Question 12 was designed to measure the company's attitude toward risk. CSR capability responsiveness was calculated through average scores on an interval Likert scale of 1 to 5 answered by respondents for questions 8 thru 12. If a question was not answered, the score for this variable was based on the average of the remaining questions.

CSR Strategic Posture

Calculation: {[(Q13.1 +Q13.2 + Q13.3 + Q13.4 + Q13.5 + Q13.6 + Q13.7 + Q13.8) / 8] + [(Q14.1 + Q14.2 + Q14.3 + Q14.4 + Q14.5 + Q14.6 + Q14.7) / 7] + [(Q15 + Q16 + Q17 + Q18) / 4] + [(Q19 + Q20 + Q21 + Q22) / 4]} / 4

Questions 13 through 22 measured 23 different aspects of CSR strategic posture. The questions were designed to measure CSR strategic posture as follows:

Question 13.1, waste reduction program

Question 13.2, recycling program

Question 13.3, energy conservation program

Question 13.4, water conservation program

Question 13.5, air emission reduction program

Question 13.6, packaging reduction program

Question 13.7, sustainable transportation program

Question 13.8, wastewater reduction program

Question 14.1, performance appraisal activities

Question 14.2, career training and development programs

Question 14.3, health benefits program

Question 14.4, equal job opportunities (against all forms of discrimination)

Question 14.5, flexible work hours

Question 14.6, commitment of health and safety programs

Question 14.7, ensuring a work/life balance among employees

Question 15, supply clear and accurate information and labeling

Question 16, resolving customer complaints

Question 17, quality assurance criteria adhered to in production

Question 18, providing value to customers

Question 19, donation to charity

Question 20, involved in a project(s) with the local community

Question 21, purchasing policies that favor the local community

Question 22, recruitment policies that favor the local community

CSR strategic posture was calculated through average scores on an interval Likert scale of 1 to 5 answered by respondents. If a question was not answered, the score for this variable was based on the average of the remaining questions.

Social Performance

Calculation: $\{[(Q23 + Q24 + Q25 + Q26 + Q27 + Q28 + Q29 + Q30) / 8] + [(Q31+ Q32 + Q33 + Q34) / 4] + [(Q35.1 + Q35.2 + Q35.3 + Q35.4) / 4 + (Q36.1 + Q36.2 + Q36.3 + Q36.4) / 4+ (Q37.1 + Q37.2 + Q37.3 + Q37.4) / 4 + (Q38.1 + Q38.2 + Q38.3 + Q38.4) / 4 + Q39] / 5\} / 3$

Questions 23 through 39 were designed to measure three elements of a company's social performance. Questions 23 through 30 were designed to measure employee attraction and retention of the company. Questions 31 to 34 measured customer attraction and loyalty to the company. Questions 35 to 39 were designed to measure a company's reputation. Social performance was calculated through average scores on an interval

Likert scale of 1 to 5 answered by respondents. If a question was not answered, the score for this variable was based on the average of the remaining questions

Financial Performance

Calculation: {Q40 + 41 + Q42 + [(Q43.1 + Q43.2 +Q43.3 + Q43.4 + Q43.5 + Q43.6 + Q43.7 + Q43.8 + Q43.9) / 9] / 4}

Questions 40 through 43 were designed to measure 13 elements of a company's financial performance. The questions measured company's financial performance as follows:

Question 40, net profit

Question 41, sales

Question 42, impact of CSR activities on financial performance

Question 43, financial benefit from CSR that improved community relations

Question 43.2, financial benefit from CSR that enhanced company image

Question 43.3, financial benefit from CSR that improved employee attraction

Question 43.4, financial benefit from CSR that improved employee retention

Question 43.5, financial benefit from CSR that improved employee motivation

Question 43.6, financial benefit from CSR that increased sales

Question 43.7, financial benefit from CSR that improved customer loyalty

Question 43.8, financial benefit from CSR that reduced costs

Question 43.9, financial benefit from CSR that improved access to capital

Financial performance was calculated through average scores on an interval Likert scale of 1 to 5 answered by respondents. If a question was not answered, the score for this variable was based on the average of the remaining questions.

CSR Strategic Aggressiveness Gap

Calculation: | CSR turbulence – CSR strategic aggressiveness |

The CSR strategic aggressiveness gap was an intervening variable with scores ranging from 0 to 4. It measured the alignment between CSR environmental turbulence and CSR strategic aggressiveness. The CSR strategic aggressiveness gap was calculated by taking the absolute value of the difference between CSR turbulence and CSR strategic aggressiveness for each respondent.

CSR Capability Responsiveness Gap

Calculation: | CSR turbulence – CSR capability responsiveness |

The CSR capability responsiveness gap was an intervening variable with scores ranging from 0 to 4. It measured the alignment between CSR environmental turbulence and management responsiveness. The CSR capability responsiveness gap was calculated by taking the absolute value of the difference between CSR capability responsiveness and CSR turbulence for each respondent.

CSR Strategic Posture Gap

Calculation: | CSR turbulence – CSR strategic posture |

The CSR strategic posture gap was an intervening variable with scores ranging from 0 to 4. It measured the alignment between CSR turbulence and the company's strategic posture. The CSR strategic posture gap was calculated by taking the absolute value of the difference between CSR strategic posture and CSR turbulence for each respondent.

Validity and Reliability

The validity of the survey questionnaire was verified by obtaining opinions and suggestions from the dissertation chairperson (Dr. Greg Lorton) and dissertation committee members (Dr. Rick Ansoff and Dr. Jack Paduntin). In addition, the survey questionnaire was reviewed by Dr.Maung Tin Hla, who has years of professional experience in the small business sector and researched a similar population for his doctorate dissertation. After suggestions and comments were all reviewed, unreliable or redundant questions were eliminated.

Reliability of the variables used in the study was measured using Cronbach's alpha. The variables, question numbers, and their corresponding coefficient alphas are presented in Table 11.

Table 11

Variable Reliability

Variables	Question	Number of Questions	Cronbach's Alpha
CSR Turbulence	1, 2,3	3	0.839
CSR Strategic aggressiveness	4,5,6,7,	4	0.619
CSR Capability Responsiveness	8,9,10,11,12	5	0.895
CSR Strategic Posture	13.1-13.8, 14.1-14.7, 15, 16, 17, 18, 19, 20, 21, 22	23	0.896
Social Performance	23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35.1-35.4, 36.1-36.4, 37.1-37.4, 38.1-38.4, 39	29	0.896
Financial Performance	40, 41, 42, 43.1-43.9	12	0.89

Assumptions

The methodology of this study's research model, measurements, and data analysis were made under the following assumptions.

1. It was assumed that the study's methods and procedures were suitable for the study.
2. It was assumed that the statistical tests chosen were appropriate for the research questions answered.
3. It was assumed that the respondents were familiar with their companies' CSR processes and were able to answer the survey's questions with honesty and transparency.

Limitations

Existing literatures under CSR umbrella are fragmented. Thus, there is limited small business CSR research, especially concerning strategic management literature. Further, there are not many CSR empirical studies focused on small businesses operating in the United States, and small businesses are heterogeneous by nature. As a result, although this study attempted to minimize differences between small businesses by sampling only the manufacturing industry, an analysis of the sample population for this study might not be sufficient to assure representativeness of all small businesses in this sector or other sectors. Hence, this study collected data from small businesses only in the United States. Therefore, the result of the study might not apply to small businesses in the same or different sectors in other countries.

Delimitations

The samples were selected and limited to one sector and number of employees. This was done to limit the scope of the sample and for the desire to create consistency within the sample.

CHAPTER 4

Research Findings

In this chapter, the results of this study's data analyses are presented. The study was designed to investigate the relationships between a company's CSR turbulence, CSR strategic aggressiveness, CSR capability responsibility, CSR strategic posture, and performance. Seven hypotheses were used to test the study. The goal of the study was to evaluate how CSR practices in small businesses associate with both their financial and social performances. This study's research was based on the assumption that Ansoff's Strategic Success Model applies to CSR strategy, as it applies to overall business strategy.

There were 65 suitable responses completed by owners and managers of small businesses via an online survey created with Qualtric Online Survey Software. The research variables were measured on 5-point interval Likert scales, where level 1 represented the lowest score and level 5 represented the highest score of each attribute. Three gap variables: CSR strategic aggressiveness gap, CSR capability responsiveness gap, and CSR strategic posture gap were calculated from the data collected for each company. These gap variables represent the difference between CSR strategic aggressiveness, CSR capability responsibility, and CSR strategic posture in relation to CSR turbulence, respectively. The relationships among variables were calculated in SPSS, using correlation (Pearson's r). All study results were tested at a 5% value as the statistical significance ($p<0.05$). Table 12 summarizes the basic statistical findings of the research variables.

Table 12

Research Variable Statistics (N = 65)

Variables	Mean	Std. Deviation	N
CSR Turbulence	2.5590	.95034	65
CSR Strategic aggressiveness	3.2308	.88753	65
CSR Capability Responsiveness	2.7538	1.04089	65
CSR Strategic Posture	3.5903	.61199	65
CSR Strategic aggressiveness Gap	1.0667	.78757	65
CSR Capability Responsiveness Gap	1.0236	.82432	65
CSR Strategic Posture Gap	1.2853	.83833	65
Social Performance	3.5686	.49754	65
Financial Performance	2.8385	.48833	65

Hypothesis 1

Hypothesis 1: There is a reliable relationship between CSR strategic aggressiveness gap and company social performance.

A correlation was determined between CSR strategic aggressiveness gap and a company's social performance. Hypothesis 1 postulated that a company's social performance is improved when its CSR strategic aggressiveness level is close to its CSR turbulence level. The study results indicated a moderate correlation; a respondent who scored high on CSR strategic aggressiveness gap also tended to score high regarding the company's social performance. Although the correlation was significant, the correlation was not expected to be positive, and thus, the hypothesis was not supported.

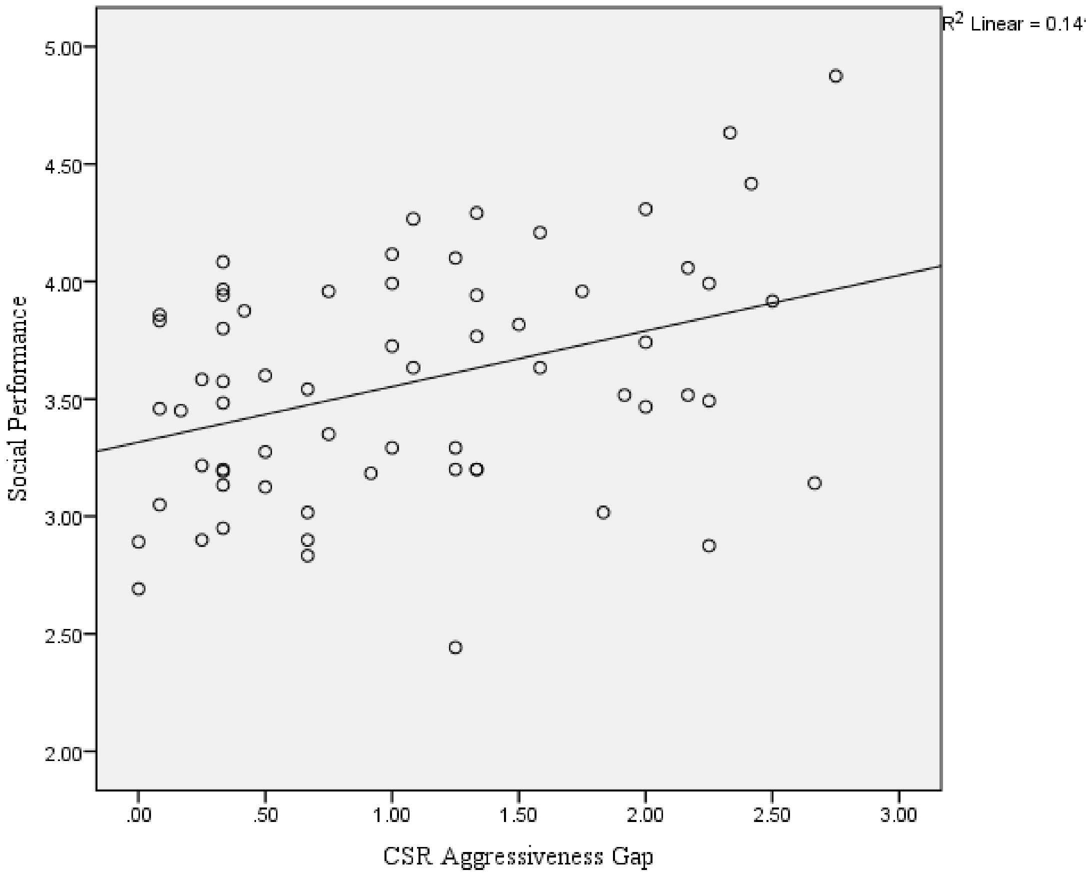

Figure 5. Statistical results for Hypothesis 1

Note. Statistical results for hypothesis 1 with correlation coefficient r = .375, coefficient of determination r^2 = .141, and p =.002

Hypothesis 2

Hypothesis 2: There is a reliable relationship between CSR capability responsiveness gap and company social performance.

A correlation was determined between CSR capability responsiveness gap and company social performance. Hypothesis 2 postulated that a company's social performance is improved when its CSR capability responsiveness level is close to its CSR turbulence level. The result indicated a correlation between two variables; a respondent who scored high on CSR capability responsiveness gap tended to score high on company social performance. Although the correlation was significant, the correlation was not expected to be positive, and thus the hypothesis was not supported.

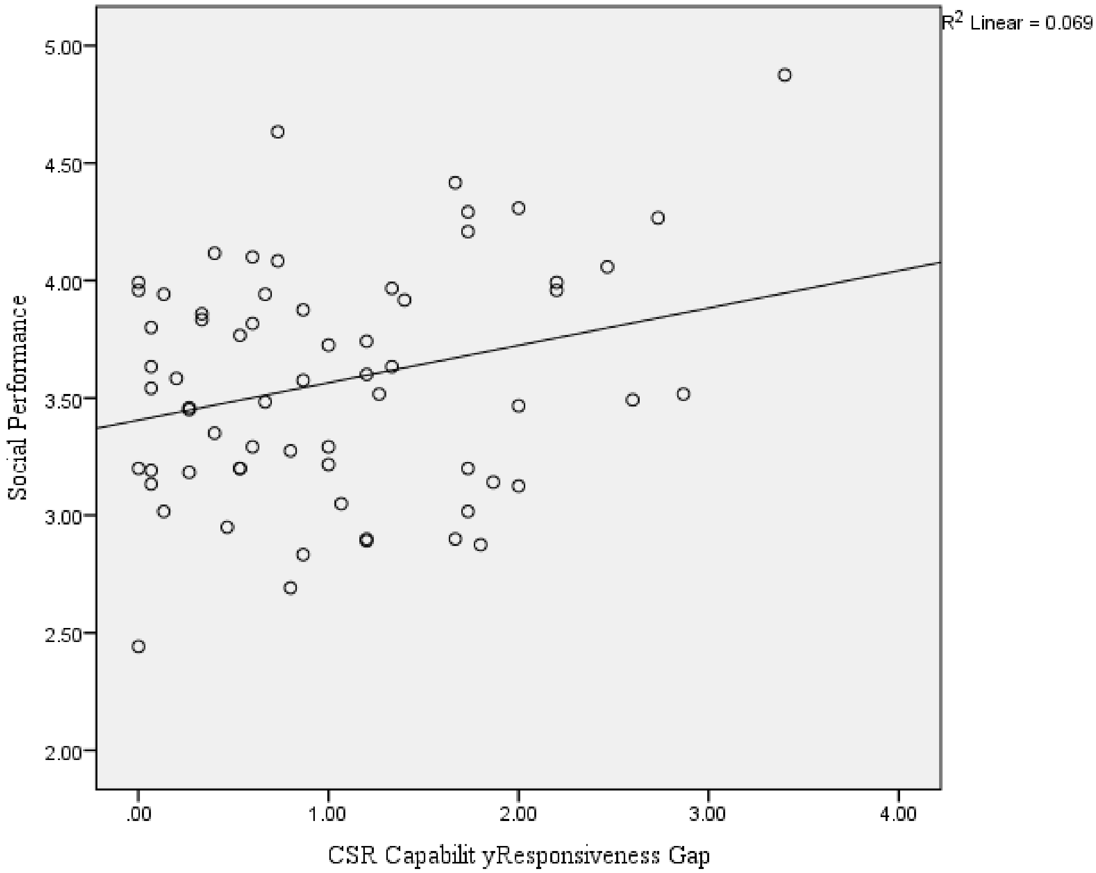

Figure 6. Statistical results for Hypothesis 2

Note. Statistical results for hypothesis 2 with correlation coefficient r = .264, coefficient of determination r^2 = .069, and p =.034

Hypothesis 3

Hypothesis 3: There is a reliable relationship between CSR strategic aggressiveness and CSR strategic posture.

A correlation was determined between CSR strategic aggressiveness and CSR strategic posture. The results indicated moderate correlation; a respondent who scored high on CSR strategic aggressiveness tended to score high on company CSR strategic posture. The companies that were more aggressive in their CSR practices tended to be more proactive in their CSR strategic posture than the companies that were less aggressive in their CSR practices.

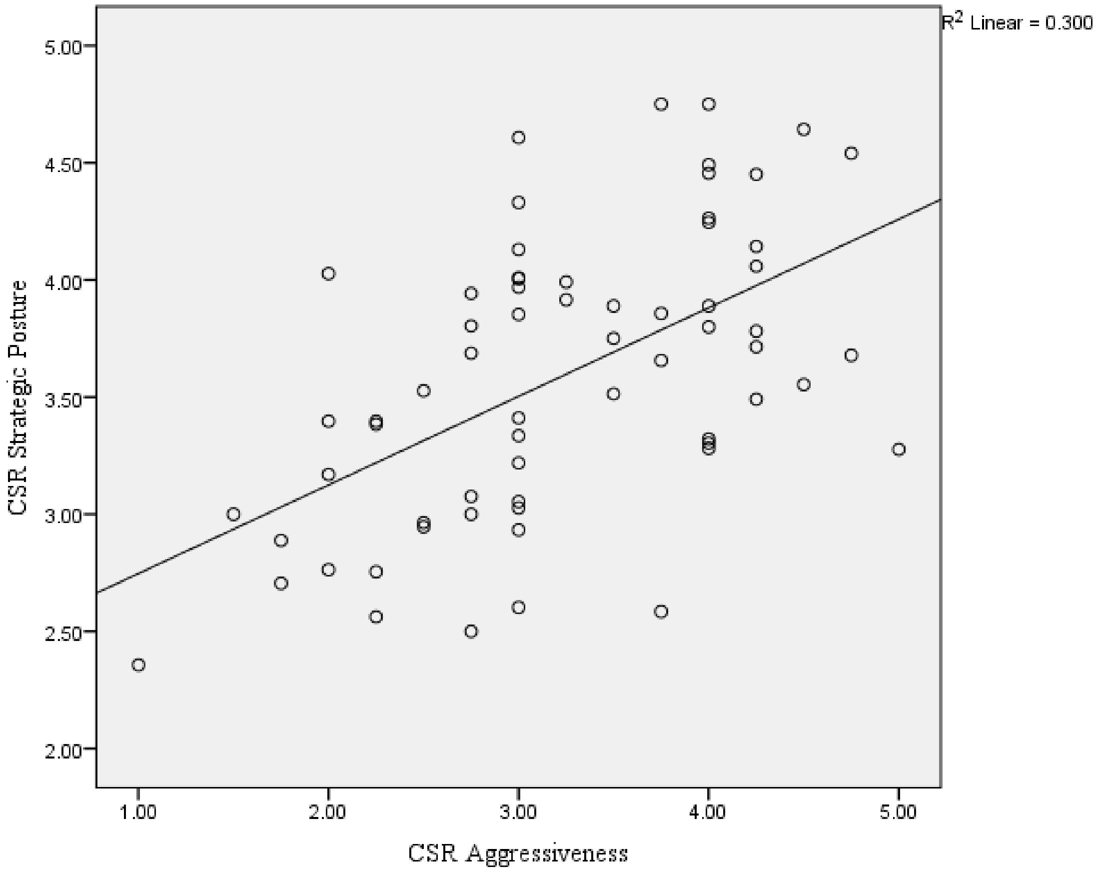

Figure 7. Statistical results for Hypothesis 3

Note. Statistical results for hypothesis 3 with correlation coefficient $r = .548$, coefficient of determination $r^2 = .300$, and $p < .001$

Hypothesis 4

Hypothesis 4: There is a reliable relationship between CSR capability responsiveness and CSR strategic posture.

A correlation was determined between CSR capability responsiveness and CSR strategic posture. The result indicated moderate correlation; a respondent who scored high on CSR strategic aggressiveness tended to score high on company CSR strategic posture. The companies that had more capabilities and resources for their CSR programs tended to be more proactive in their CSR strategic posture than the companies that had less capabilities and resources for their CSR programs.

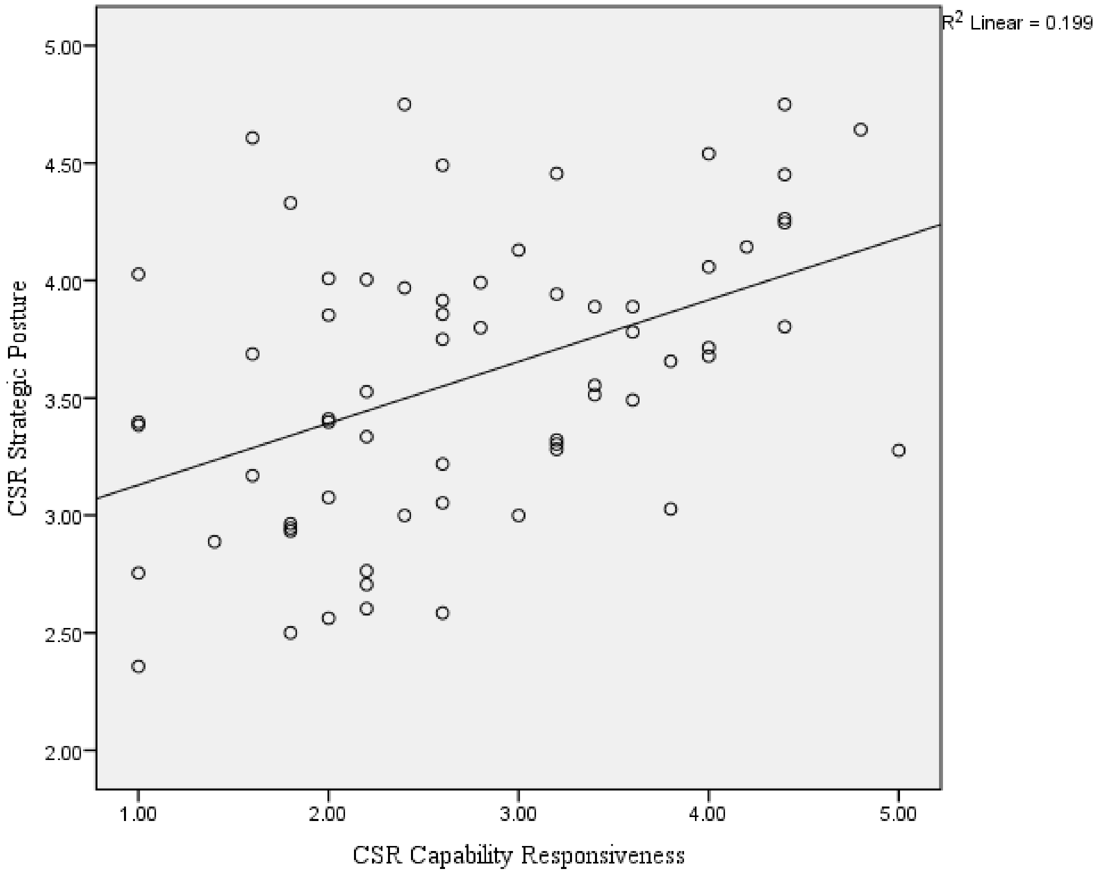

Figure 8. Statistical results for Hypothesis 4

Note. Statistical results for hypothesis 4 with correlation coefficient r = .447, coefficient of determination r^2 = .199, and $p < .001$

Hypothesis 5

Hypothesis 5: There is a reliable relationship between CSR strategic posture and company social performance.

A correlation was determined between CSR strategic posture and company social performance. The result indicated moderate correlation; a respondent who scored high on CSR strategic posture tended to score high on company social performance. The companies that were more proactive in their CSR strategic posture tended to have higher performance in their social performance than the companies that were reactive in their CSR strategic posture.

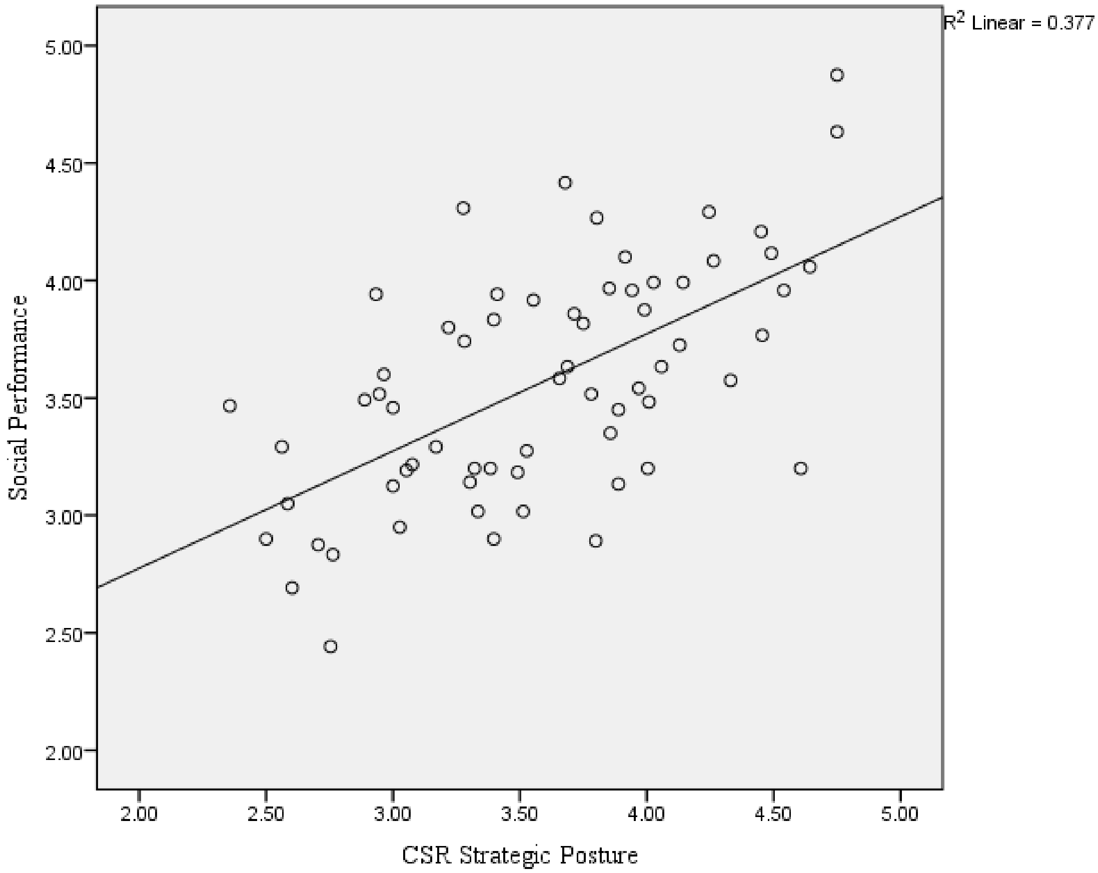

Figure 9. Statistical results for Hypothesis 5

Note. Statistical results for hypothesis 5 with correlation coefficient $r = .614$, coefficient of determination $r^2 = .377$, and $p < .001$

Hypothesis 6

Hypothesis 6: There is a reliable relationship between CSR strategic posture gap and company social performance.

A correlation was determined between CSR strategic posture gap and company social performance. Hypothesis 6 postulated that a company's social performance is improved when its CSR strategic posture is close to its CSR turbulence level. The result indicated moderate correlation; a respondent who scored high on CSR strategic posture gap tended to score high on company social performance. Although the correlation was significant, the correlation was not expected to be positive, and thus the hypothesis was not supported.

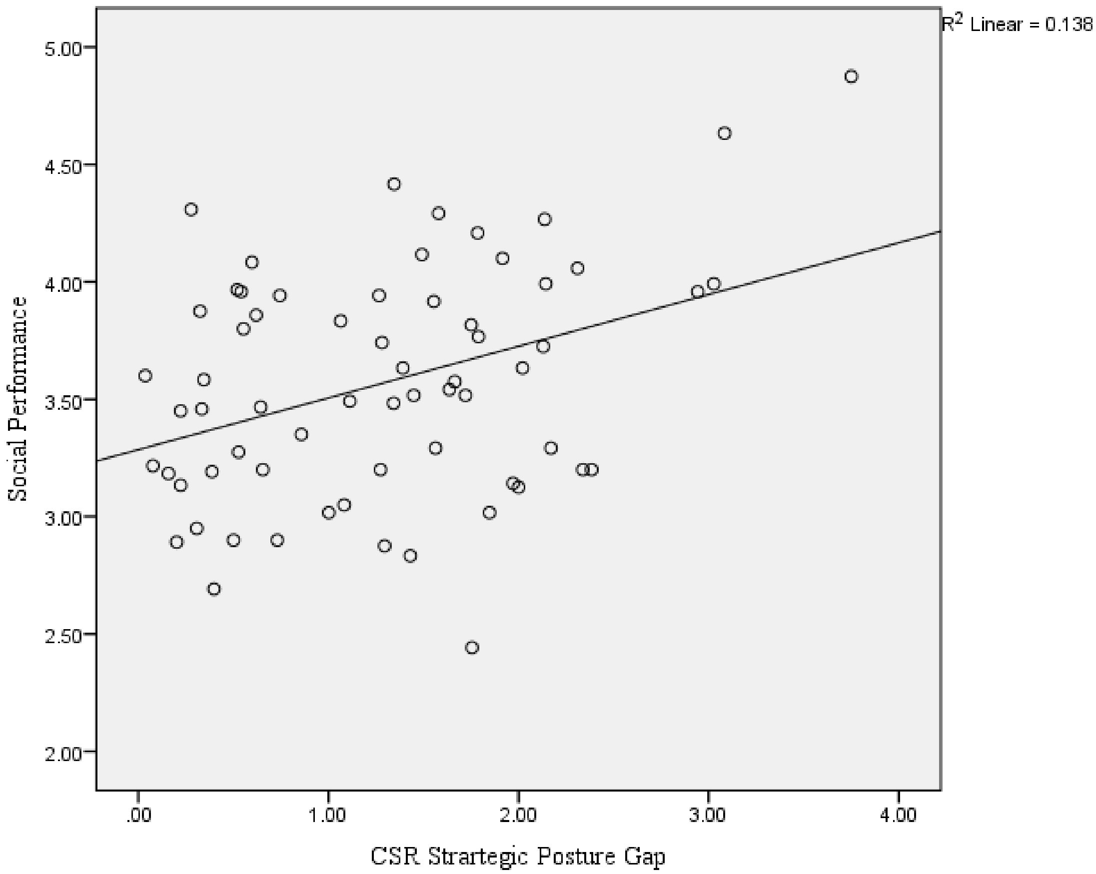

Figure 10. Statistical results for Hypothesis 6

Note. Statistical results for hypothesis 6 with correlation coefficient r = .371, coefficient of determination r^2 = .138, and p =.002

Hypothesis 7

Hypothesis 7: There is a reliable relationship between company social performance and company financial performance.

A correlation was determined between company social performance and financial performance. The result indicated a strong correlation; a respondent who scored high on company social performance tended to score high on company financial performance too.

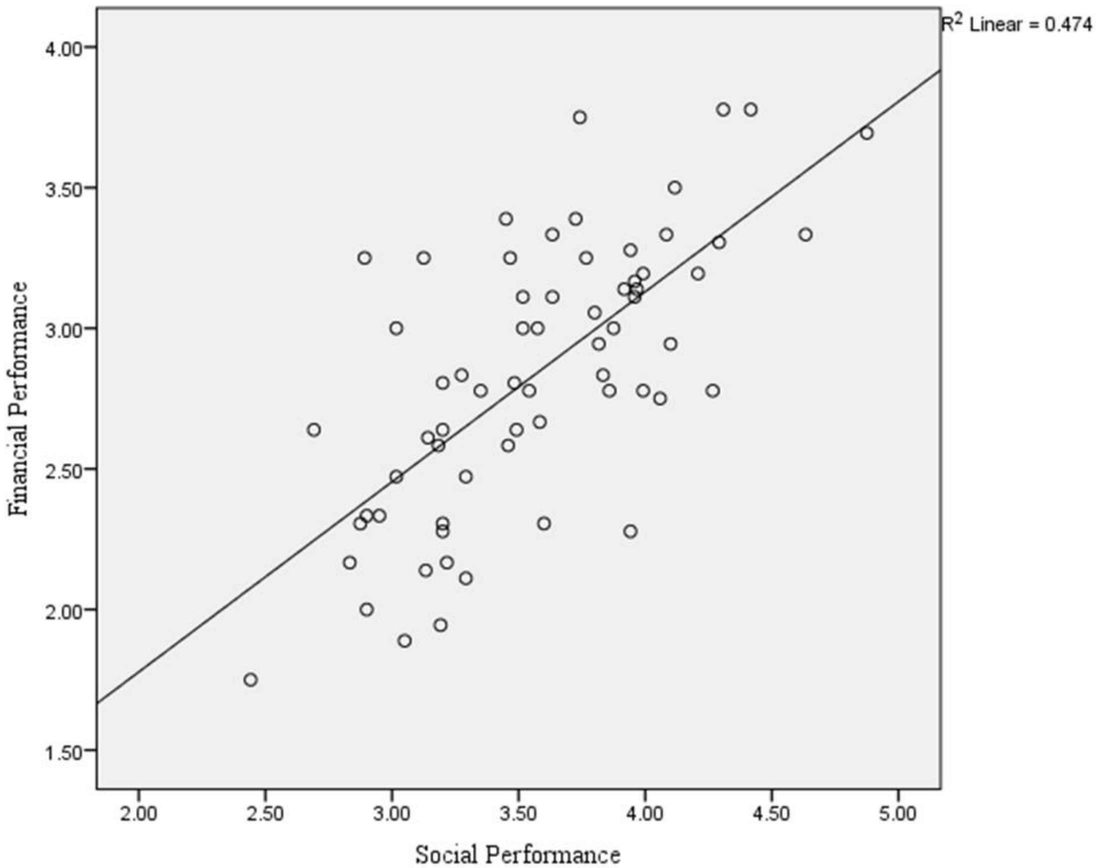

Figure 11. Statistical results for Hypothesis 7

Note. Statistical results for hypothesis 7 with correlation coefficient $r = .689$ coefficient of determination $r^2 = .474$ and $p < .001$

Table 13 below illustrated the statistical significance of the variables in this study. Each hypothesis and its corresponding number denoted in parentheses to indicate which correlation number is represented by which hypothesis. For example, (H1) is hypothesis 1: There is a relationship between CSR strategic aggressiveness gap and company social performance.

Table 13

The Correlation of Research Variables

Variables		CSR Strategic Posture	Social Performance	Financial Performance
CSR Strategic Aggressiveness Gap	Pearson's Correlation	.133	(H1) .375**	.332**
	P-Value	.291	.002	.007
CSR Capability Responsiveness Gap	Pearson's Correlation	.046	(H2) .264*	.231
	P-Value	.713	.034	.064
CSR Strategic Aggressiveness	Pearson's Correlation	(H3) .548**	.433**	.378**
	P-Value	.000	.000	.002
CSR Capability Responsiveness	Pearson's Correlation	(H4) .447**	.470**	.381**
	P-Value	.000	.000	.002
CSR Strategic Posture	Pearson's Correlation	1	(H5) .614**	.423**
	P-Value		.000	.000
CSR Strategic Posture Gap	Pearson's Correlation	.392**	(H6) .371**	.202
	P-Value	.001	.002	.106
Social Performance	Pearson's Correlation	.614**	1	(H7) .689**
	P-Value	.000		.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Additional Statistical Analyses

Four additional correlation analyses were performed to investigate Hypothesis 5 (positive relationship between CSR strategic posture and social performance), Hypothesis 7 (positive relationship between social performance and financial performance), the relationship between CSR strategic aggressiveness and company performance, and the relationship between CSR capability responsiveness and company performance. Tables 14, 15, and 16 show a summary of the results. All additional findings were tested using a significant level of 5% ($p < 0.05$).

Elements of CSR Strategic Posture and Social Performance

The results of correlation in Table 14 show that all four elements of CSR strategies have a positive relationship to a company's social performance. Market and workplace program of CSR indicated a stronger correlation to social performance (at $r = .602$ and $r = .600$) compared to community and environmental programs (at $r = .395$ and .364, correspondingly).

The companies that acted more proactive in environmental programs and policies; workplace conditions, health benefits, and commitment to health and safety; marketing programs on improving quality and safety of products; and community improvement activities, tended to have higher social performance than the companies that acted less proactive or were reactive in these programs.

Table 14

Correlations between Elements of CSR Strategic Posture and Social Performance

Variables		Social Performance
Environment Program	Pearson Correlation	.364**
	P-Value	.003
Workplace Program	Pearson Correlation	.600**
	P-Value	.000
Market Program	Pearson Correlation	.602**
	P-Value	.000
Community Program	Pearson Correlation	.395**
	P-Value	.001

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Elements of Social Performance and Financial Performance

Table 15 correlation results show that all three elements of a company's social performance have a positive relationship to financial performance. The reputation element of social performance indicated the highest correlation (at r = .709). This indicated that reputation element had the strongest relationship with financial performance compared to the other two elements. Employee element and customer element resulted in moderate correlation at r = .598 and at r = .349, correspondingly. In summary, all three elements of social performance benefit a company's financial performance, especially reputation element.

Table 15

Correlations between Elements of Social Performance and Financial Performance

Variables		Financial Performance
Employee	Pearson Correlation	.598**
	P-Value	.000
Customer	Pearson Correlation	.349**
	P-Value	.006
Reputation	Pearson Correlation	.709**
	P-Value	.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Relationship between CSR Strategic Aggressiveness, CSR Capability Responsiveness and Company Performance

Table 16 shows that both CSR strategic aggressiveness and CSR capability responsiveness correlations have a significant relationship to both a company's financial performance and social performance. All results indicated positive relationships with a moderate level of correlation.

Correlations between CSR strategic aggressiveness and both a company's social and financial performances were $r = .433$ and $r = .457$, respectively. The results illustrated that a respondent who scored high on CSR strategic aggressiveness tended to score high on both social and financial performance too.

Correlations between CSR capability responsiveness and both a company's social and financial performances were $r = .470$ and $r = .480$, respectively. The results illustrated that a respondent who scored high on CSR capability responsiveness tended to score high on both social and financial performance too.

Table 16

Correlations between CSR Strategic Aggressiveness, CSR Capability Responsiveness, and Company Performance

Variables		Social Performance	Financial Performance
CSR Strategic Aggressiveness	Pearson Correlation	.433**	.457**
	P-Value	.000	.000
CSR Capability Responsiveness	Pearson Correlation	.470**	.480**
	P-Value	.000	.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Summary of Results

The results of all the statistical analyses described in this chapter are shown in Table 17. Hypotheses 1, 2, and 6 were not supported while Hypotheses 3, 4, 5 and 7 were supported. All results were tested at a statistical significance of 0.05.

Table 17

Summary of Statistical Results (N = 65 and p < 0.05)

Hypothesis	*r*	*p*	Result
H1. Positive relationship between CSR strategic aggressiveness gap and company social performance	0.375	0.002	Not Supported
H2. Positive relationship between CSR capability responsiveness gap and company social performance	0.264	0.034	Not Supported
H3. Positive relationship between CSR strategic aggressiveness and CSR strategic posture	0.548	$p < .001$	Supported
H4. Positive relationship between CSR capability responsiveness and CSR strategic posture	0.447	$p < .001$	Supported
H5. Positive relationship between CSR strategic posture and company social performance	0.614	$p < .001$	Supported
H6. Positive relationship between CSR strategic posture gap and company social performance	0.371	0.002	Not Supported
H7. Positive relationship between company social performance and company financial performance	0.689	$p < .001$	Supported

CHAPTER 5

Summary, Conclusions, and Recommendations

This chapter includes a summary of previous chapters, discussion of original research findings, discussion of additional findings, conclusions of the research, and recommendations for future research.

The following section summarizes the most important aspects of this research as presented in chapters 1 through 4.

Background of the Problem

Presently, the concept of social responsibility has expanded to include a wide variety of activities from philanthropy, volunteering, helping to ease poverty, and to saving the entire planet. As a result, companies often find it difficult to know what to focus on. "Doing well while doing good" has become a mantra for companies in the last decade. Companies believe that CSR practices help promote sales, lower costs, build good reputations, invite better personnel to the company, and help attract investment from socially conscious investors (UNIDO, 2012). As stated by Ansoff, "the tradition of universal prescriptions for management of all firms must give way to a tailored approach in which each firm identifies its own future challenges and develops its own response" (Ansoff & McDonnell, 1900 p.29). There is not a one-strategy fits all approach. Although Michael Porter introduced a CSR strategy concept in 2002, and again in 2006, there are gaps between theory and practices that still need to be filled. These gaps are especially apparent for CSR practices in small and medium-sized enterprises (SMEs) since they are challenged with limited critical mass, strategic budget limitations, misalignment of managerial capabilities, and budget constraints affecting managerial capacity (Jenkins, 2004). Furthermore, a majority of previous researches were built to fit the nature of large corporations that have more resources and capabilities than small business. Small businesses are forced to use tools and CSR strategies that are not designed with their unique needs and circumstances in mind. As a result, this research was designed to emphasis CSR strategic behaviors for specifically small business. Besides studying the relationship between CSR strategies and a company's performance, no prior research has studied the relationships between CSR turbulence, CSR strategic aggressiveness, CSR capability responsiveness, CSR strategic posture, and small business performance. This study proposed to add this data to existing CSR literature.

Purpose of the Study

The present study intended to investigate the relationship between CSR factors to help develop high performance CSR strategies in small business. The purpose of this study was to create a holistic understanding of CSR strategy. The concepts of CSR from both a business and societal perspective were used to construct the model of this study to examine the relationship between CSR strategy and a company's performance. The study aimed to provide top executives and CSR managers a better understanding of how to integrate CSR strategy into their business strategy and how to obtain optimal performance from doing so. This study applied Ansoff's Strategic Success Model to investigate successful CSR strategic behaviors of small businesses in the United States.

Contributions of the Study

The study is expected to contribute to the academic field of management and provide small business owners and managers a practical framework for planning and implementing their CSR strategies to improve both the social and financial performances of their companies.

Global Model

The global model illustrated in Figure 12 provides a complete picture of this study's conceptual model. It demonstrates attributes that may affect a company's business strategic posture, a company's CSR strategic posture, or a company's performance. On the left part of the global model, the components of Ansoff's Strategic Success Model applied to a company's strategic management at business level were demonstrated. The right section of the global model shows the components of Ansoff's model that were applied to a company's strategic management at an individual strategy level, which was how Corporate Social Responsibility (CSR) strategy was applied in this study. This right side of the global model is this study's research model.

Strategic Success Model

Strategic Success Model (Ansoff & McDonnell, 1990) states that a company's performance potential is optimum when the following three conditions are met:

1. Aggressiveness of the company's strategic behavior matches the turbulence of its environment.
2. Responsiveness of the company's capability matches the aggressiveness of its strategy.
3. The components of the company's capability are supportive of one another.

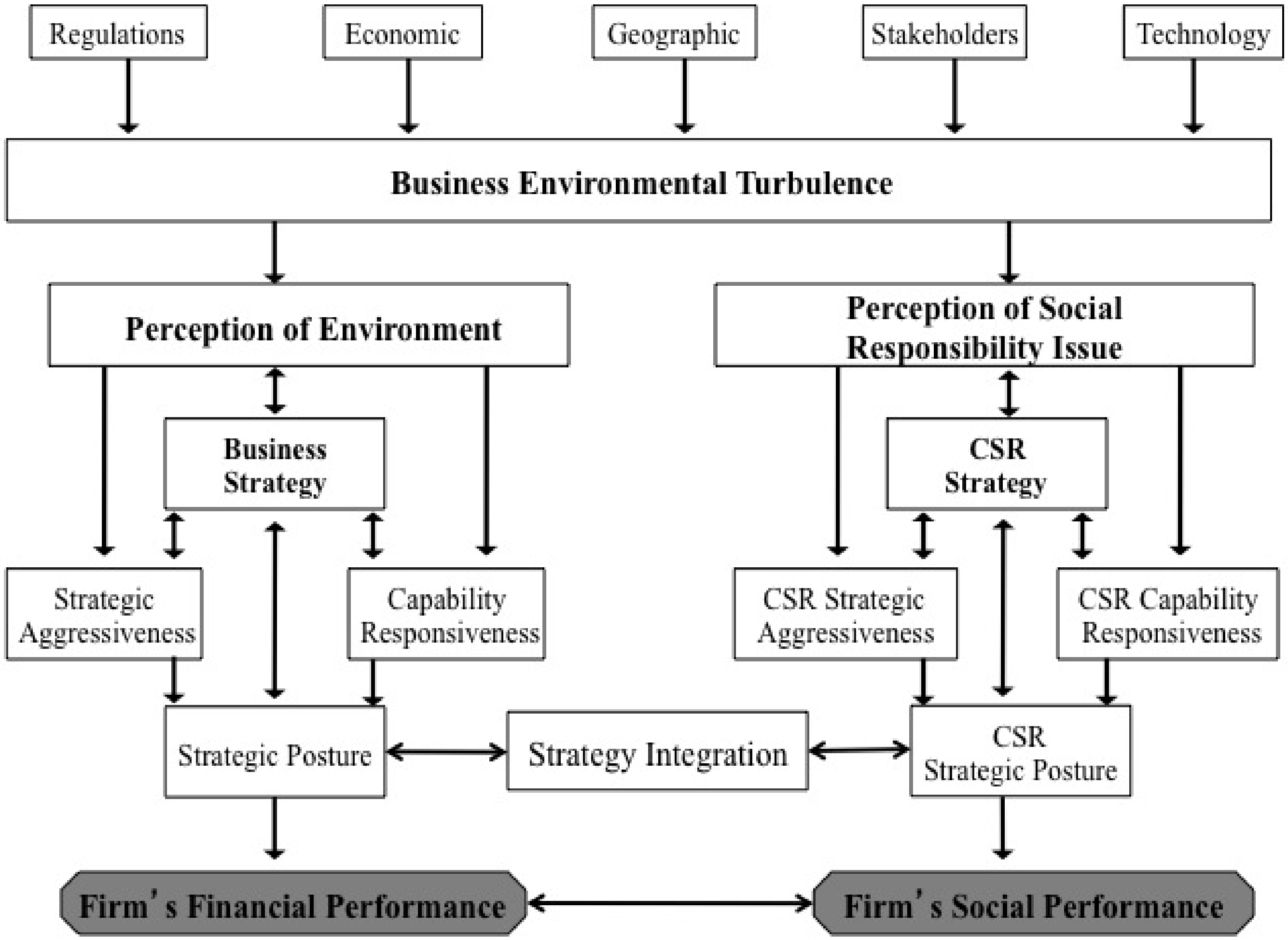

Figure 12. Global Model

As expressed in Figure 12, environmental turbulence is defined as the degree of novelty, complexity, rapidity, and visibility of change in the environment (Ansoff & McDonnell, 1990). The degree of change varies from environmental turbulence level 1 (no change), to environmental turbulence level 5 (strategic surprise). In turbulence levels 1 through 3, changes are mostly easily predictable by looking at past situations. However, with a turbulence level above 3, changes are increasingly disconnected to past experiences. Therefore, the higher the turbulence level, the higher a company's environmental complexity and dynamics. The characteristics of environmental turbulence levels are shown on the ascending 5-point interval scale in Table 18.

Table 18

Environmental Turbulence Levels

	Turbulence Level				
	1	2	3	4	5
Environmental Turbulence	Repetitive	Expanding	Changing	Discontinuous	Surprising
Complexity	National Economic	+	Regional Technological	+	Global Socio-political
Familiarity of Events	Familiar	Extrapolable	→	Discontinuous Familiar	Discontinuous Novel
Rapidity of Change	Slow than response	↔	Comparable to response	↔	Fast than response
Visibility of Future	Recurring	Forecastable	Predictable	Partially predictable	Unpredictable surprise

Strategic Aggressiveness is a characterization of a company's strategies and its reaction to the environment. It is described by two characteristics: the degree of discontinuity of the company's successive strategic moves and the timeliness of the introduction of new products by the company. Ansoff and McDonnell (1990) developed a range of management behaviors to explain a company's strategic aggressiveness. The behaviors are shown on the ascending 5-point interval scale in Table 19.

Table 19

Strategic Aggressiveness

	Turbulence Level				
	1	2	3	4	5
Environmental Turbulence	Repetitive	Expanding	Changing	Discontinuous	Surprising
	Repetitive	Slow Incremental	Fast Incremental	Discontinuous Predictable	Discontinuous Unpredictable
Strategic Aggressiveness	Stable	Reactive	Anticipatory	Entrepreneurial	Creative
	Based on Precedents	Incremental Based on Experience	Incremental Based on Extrapolation	Discontinuous Based on Expected futures	Discontinuous Based on creativity

Capability responsiveness is a company's ability to respond to change. It includes both a manager's capability and an organization's capability as a whole (Ansoff & McDonnell, 1990). Ansoff and McDonnell (1990) used three organizational components to identify a company's capability responsiveness: a manager's mentality, power, competency, and capacity; the organization's climate: culture, risk propensity, time perspective, and change triggers; and the competence of the organization: problem solving skills, information technology, organizational structure, rewards, and total headcount. To assure success follows Ansoff's Strategic Success Model, capability responsiveness of the company must also be matched to the environmental turbulence. The ascending 5-point interval scale of capability responsiveness alignment with level of turbulence is shown in Table 20.

Table 20

Responsiveness of Capability

	Turbulence Level				
	1	2	3	4	5
Environmental Turbulence	Repetitive	Expanding	Changing	Discontinuous	Surprising
Capability Responsiveness	Custodial	Production	Marketing	Strategic	Flexible
	Precedent Driven	Efficiency Driven	Market Driven	Environment Driven	Seeks to Create Environment
	Supposes Change	Adapts to Change	Seeks Familiar Change	Seeks New Change	Seeks Novel Change
	Seeks Stability	←	Seeks Operating Efficiency	→	Seeks Creativity
	Closed System	↔			Open System

Corporate Social Responsibility (CSR)

Currently, there is not a consensus among practitioners and researchers regarding a CSR definition. To construct an analysis, this study adopted the CSR meaning defined by the European Commission. Throughout the study, CSR was defined as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (European Commission, 2012).

The CSR concept started in the early 1930s (Carroll, 1999). Among existing CSR models, the model developed by Carroll Archie is considered the most commonly referenced regarding comprehensive explanations of CSR. His model categorized CSR definitions into four different categories: economic, legal, ethical, and philanthropy. Carroll proposed an important argument that a company needs to fulfill the four CSR aspects simultaneously. He suggested a company should attempt to make a profit, obey the law, be ethical, and be a good corporate citizen in order to be a socially responsible company. His CSR contributions were integrated into the development of the perception of social responsibility as well as the CSR strategy in the global model.

CSR and Stakeholder Theory

Stakeholder theory shares CSR's value that a company is obligated to take social responsibility. Stakeholders' demands can be seen as threats or opportunities depending on management perception of the needs and the importance of those who presented the demand. As a result, a manager's identification of a company's salient stakeholders is important to optimize performance of the company (Hillman & Keim, 2001). Degrees of stakeholder demands play an important role in the formulation of a company's CSR strategy since their demands add complexity to the level of social responsibility turbulence. Stakeholder theory was incorporated to construct the global model and identify the opportunities and threats that affect a company's strategic development.

CSR Strategic Posture

There are a variety of levels a company can posture its CSR. Degrees can range from conventional approaches such as philanthropy, to making CSR strategy an integral part of its long-term business strategy, or to approaching CSR as a tool to achieve sustainability for both society and business (Zadeck, 2001). According to Porter and Kramer (2006), conventional CSR approaches have no strategic management involvement. Thus, they proposed two different CSR postures: responsive CSR and strategic CSR. Companies with responsive CSR approaches react to social concerns of stakeholders and mitigate existing harms arising from their business activities; benefits from this approach are likely to be short term and temporary. On the other hand, companies with strategic CSR go beyond the best practice standard. Strategic CSR is about selecting a distinctive position that differentiates a company from rivals by offering a better fit to customers' needs and by lowering costs. Pioneer innovations in a company's value chain and product offerings are used as a strategy to create benefits for both society and a company's own competitiveness. The strategic CSR approach creates shared value between the company and society so benefits from this approach are likely to be long term.

Research Model

The research model represents an application of Ansoff's Strategy Success Model to a company's CSR strategy. The present study hypothesized that the integration of CSR strategy as an integral part of a company's business strategy would lead to optimal economic and social performance. The study assumed that Ansoff's Strategy Success Model could be applied to the CSR strategy, as well as the overall business strategy.

Correspondingly, CSR was believed to have a significant effect on the overall performance of a company. The research model for this study is shown in Figure 13.

The model reflects a company's CSR strategic aggressiveness and CSR capability responsiveness, both of which influence the strategic CSR posture of a company. CSR strategic aggressiveness gap and CSR capability responsiveness gap is also displayed in the research model. These gaps are the differences between the perceived level of a company's CSR turbulence from the perceived level of the company's CSR strategic aggressiveness and CSR capability responsiveness, respectively. The study hypothesized that as the absolute value of a small business's strategic aggressiveness gap would decrease, the performance of the small business would increase. Similarly, as the absolute value of a small business's capability responsiveness gap decreased, the performance of the small business would increase. Strategic CSR posture is postulated to have a significant relationship to the overall performance small businesses.

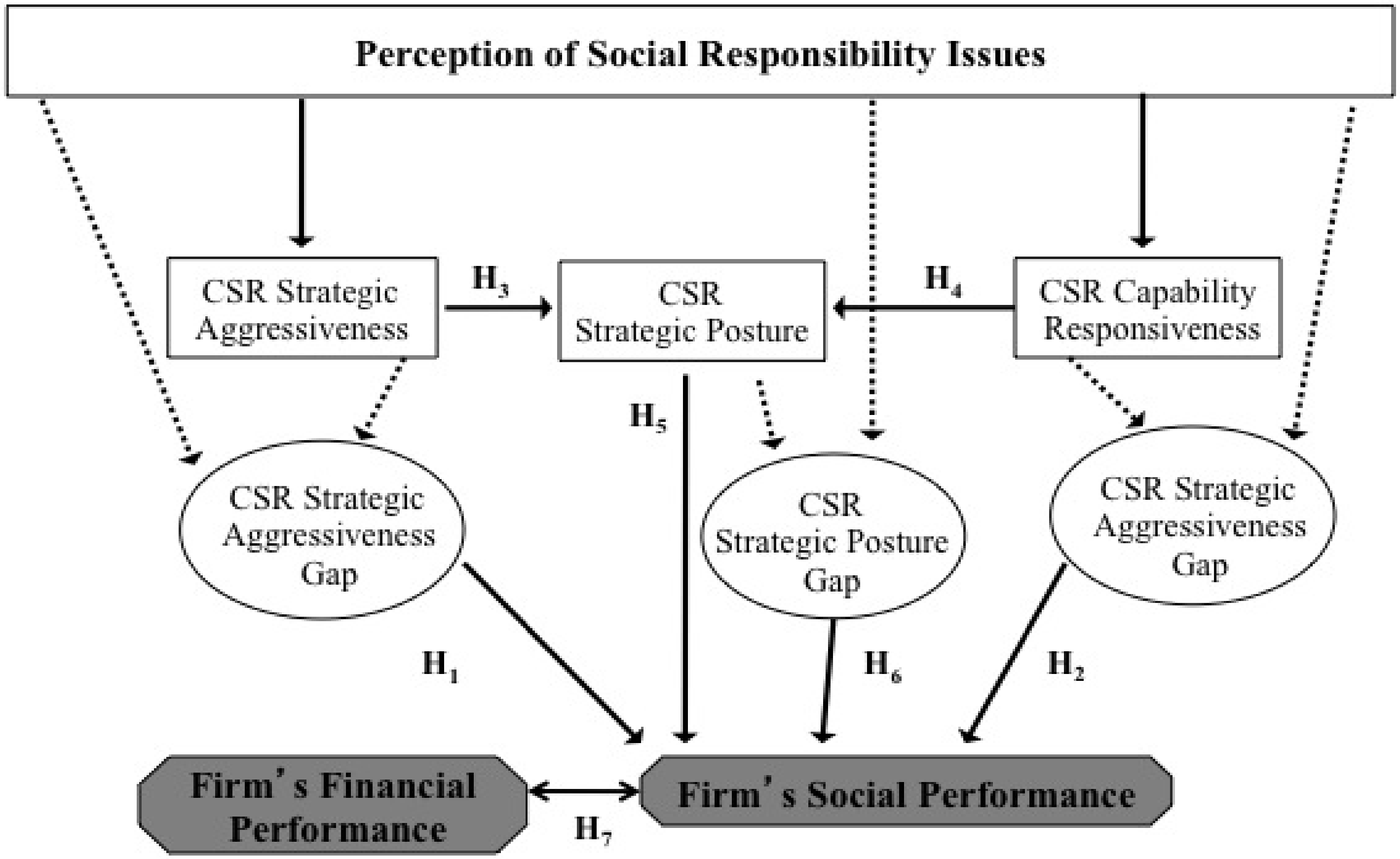

Figure 13. Research Model

Proactive and Reactive CSR Strategy

This study adopted Clarkson's (1995) description of the reactive-defensive-accommodative-proactive (RDAP) scale and classified small businesses' CSR activities into proactive and reactive posture. Under the scope of this study, a reactive CSR strategic posture referred to a company's CSR activities at a level below or at the minimum requirement for non-voluntary regulatory compliance. On the other hand, a proactive CSR strategic posture referred to when a company's CSR activities were at the active, voluntary, or beyond regulatory requirements levels. This study hypothesized that companies who behave proactively in their CSR activities can achieve more competitive advantage than companies that respond reactively. Moreover, companies that integrated their CSR activities into business strategy were expected to have higher performance than companies that did not incorporate CSR activities into their business strategy.

Research Variables

The research variables in this study included CSR turbulence, CSR strategic aggressiveness, CSR capability responsiveness, CSR strategic posture, social performance of a company, and financial performance of a company.

CSR Turbulence

CSR turbulence was defined as the complexity, pace of change, and predictability of change in CSR issues that influence a company's choice of CSR strategy. The economy, globalization, regulatory and compliance requirements, technology, societal expectations, and stakeholder aspirations all influence CSR turbulence. The characteristics of CSR turbulence presented in Table 21 are drawn from the elements of environmental turbulence presented in Ansoff and McDonnell (1990) and Lorton (2006) and Loebbaka's (2008) dissertations.

Table 21

CSR Turbulence

	Turbulence Level				
	1	2	3	4	5
Environmental Turbulence	Repetitive	Expanding	Changing	Discontinuous	Surprising
Complexity of Issues	Not at all complex	Slightly complex	Moderately complex	Usually very complex	Always highly complex
Pace of Change	Rare	Time to respond	Must respond quickly	Must catch up to change	Always changing
Predictability of change	Changes are rare	Easily predictable	Usually predictable	Predictable, but some surprises	Unpredictable surprises

CSR Strategic Aggressiveness

CSR strategic aggressiveness referred to the level of CSR initiatives undertaken by a company. This study's element of CSR strategic aggressiveness was developed from the works of Ansoff and McDonnell (1990), Lorton (2006), Kelly (2008), Ibrahim (2012), and Sweeney (2009). The five levels of CSR strategic aggressiveness that correspond to the five levels of CSR turbulence are shown in Table 22.

Table 22

CSR Strategic Aggressiveness

	Turbulence Level				
	1	2	3	4	5
Environmental Turbulence	Repetitive	Expanding	Changing	Discontinuous	Surprising
	Repetitive	Slow Incremental	Fast Incremental	Discontinuous Predictable	Discontinuous Unpredictable
Strategic Aggressiveness	Stable	Reactive	Anticipatory	Entrepreneurial	Creative
	Based on Precedents	Incremental Based on Experience	Incremental Based on Extrapolation	Discontinuous Based on Expected futures	Discontinuous Based on Creativity
CSR Stakeholder Approach	Stakeholder information with no interaction	Stakeholder debate	Stakeholder dialogue and informal contacts	Interactive strategic stakeholder dialogue	Forming partnership and alliances
Change Management	Resist change	Change only for existing social and environmental issues	Change for anticipated social and environmental issues	Change for any potential risk and opportunity	Integrate creative change
Responsiveness to Customer Needs	No changes in products or services	Slow changes	Frequently adapt in small ways	Identify unfilled needs	Innovative product or service creation
Degree of strategic integration	Maintain CSR strategy isolation	Integrate with marketing activities	Integrate to business operations	Integrate to business strategy	Integrate to sustainability strategy

CSR Capability Responsiveness

CSR capability responsiveness is demonstrated through the competence and capacity of owners, managers, and staff involved in CSR function; the climate and culture in CSR function; and the implementation of the CSR system in a company. This study's element of CSR capability responsiveness is drawn from the elements of Ansoff and McDonnell's (1990) capability responsiveness, Lorton's dissertation (2006), and Ibrahim's dissertation (2012). The five levels of CSR capability responsiveness and their relationship to the five levels of CSR turbulence are shown in Table 23.

Table 23

CSR Capability Responsiveness

	Turbulence Level				
	1	2	3	4	5
Environmental Turbulence	Repetitive	Expanding	Changing	Discontinuous	Surprising
	Repetitive	Slow Incremental	Fast Incremental	Discontinuous Predictable	Discontinuous Unpredictable
Capability Responsiveness	Custodial	Production	Marketing	Strategic	Flexible
	Precedent Driven	Efficiency Driven	Market Driven	Environment Driven	Seeks to create Environment
Surveillance of social and environmental issues	None				Continuous
CSR policies and programs	CSR policies and programs are not part of a company				Formal CSR policies and programs to all employees
Owners/managers knowledge of CSR policies, programs, and processes	Minimal (rely on consultants)				Expert in the field
Staff communication of company's CSR	No communicating or training				Staff initiate goals of CSR
Attitude toward risk	Avoid risk	Accept familiar risks and opportunities	Seek familiar risks and opportunities	Seek unfamiliar risks and opportunities	Seek novel and creative risks and opportunities

CSR Strategic Posture

CSR strategic posture was defined as a combination of CSR strategy and competitive posture within a company's CSR programs. Based on a Euro Commission (2002) guideline developed specifically for small and medium enterprises, four core CSR programs were used in this study to investigate the relationship between CSR strategic posture and small business performance. The evaluation of CSR strategic posture in this study was adapted from Sweeny's (2009) study. The four core programs were environment, workplace, marketplace, and community.

Environment: activities relating to the protection of the environment and sustainable development.

Workplace: activities dealing with the improvement of working conditions; pay and benefits or job creation; work and life balance; equal opportunities and diversity; job satisfaction; training and staff development; responsible and fair remuneration; health and safety; and labor rights.

Marketplace: activities associated with the improvement of the quality or the safety of products, innovation, fair pricing, or ethical advertising.

Community: activities related to working with the local community, organizations or institutions, public authorities, and non-governmental organization (NGO).

Performance of Small Business

Performance of small business was measured considering both monetary and non-monetary factors. As a result, small business performance was a collective measure of both social performance and financial performance. The assessment of performance in this study was adapted from Sweeny's (2009) study. A company's social performance was measured by three elements: employee, customer, and reputation. Financial performance was measured by the influence of CSR on a company's sales and profit.

Research Questions and Hypotheses

Research Question 1

What is the relationship between CSR strategic aggressiveness gap and company social performance?

Hypothesis 1

There is a reliable relationship between CSR strategic aggressiveness gap and company social performance.

Research Question 2

What is the relationship between CSR capability responsiveness gap and company social performance?

Hypothesis 2

There is a reliable relationship between CSR capability responsiveness gap and company social performance.

Research Question 3

What is the relationship between CSR strategic aggressiveness and CSR strategic posture?

Hypothesis 3

There is a reliable relationship between CSR strategic aggressiveness and CSR strategic posture.

Research Question 4

What is the relationship between CSR capability responsiveness and CSR strategic posture?

Hypothesis 4

There is a reliable relationship between CSR capability responsiveness and CSR strategic posture.

Research Question 5

What is the relationship between CSR strategic posture and company social performance?

Hypothesis 5

There is a reliable relationship between CSR strategic posture and company social performance.

Research Question 6

What is the relationship between CSR strategic posture gap and company social performance?

Hypothesis 6

There is a reliable relationship between CSR strategic posture gap and company social performance.

Research Question 7

What is the relationship between company social performance and company financial performance?

Hypothesis 7

There is a reliable relationship between company social performance and company financial performance.

Research Strategy

This study consisted of statistical hypothesis testing using a descriptive correlation approach. All of the study's variables were measured on 5-point interval Likert scales. All hypotheses were tested using a significance level of $p < 0.05$.

Conceptual and Operational Definitions

The independent, dependent, and intervening variables developed for this study are presented in Table 24. The table presents the conceptual and operational definitions for the study's independent variables: CSR turbulence, CSR strategic aggressiveness, CSR capability responsiveness; dependent variables: performance of a company's and CSR strategic posture; intervening variables: CSR strategic aggressiveness gap, CSR capability responsiveness gap, and CSR strategic posture gap. CSR strategic posture was also used as an independent variable in the evaluation of Hypothesis 5.

Table 24

Summary of Conceptual and Operational Definitions of the Study's Variables

Variables	Conceptual Definition	Operational Definition
CSR Turbulence	The changeability in an environment characterized through the complexity, rapidity, and predictability of change in social and environmental issues	The arithmetic mean of the answers from each respondent to 3 questions measuring on 5-point interval Likert scales.
CSR Strategic aggressiveness	The discontinuity and speed that CSR strategies are developed and implemented. It represents the extent of companies' CSR behaviors toward stakeholder approach, change management, responsiveness to customer needs, and degree of strategic integration.	The arithmetic mean of the answers from each respondent to 4 questions measuring on 5-point interval Likert scales.
CSR Capability Responsiveness	The degree to which management of the company responds to change in issues pertaining CSR. It consists with CSR policies and programs, surveillance of social and environmental issues, owners or manages knowledge of CSR policies, programs, and processes, staff communication of company's CSR, time spent on CSR activities and attitude toward risk	The arithmetic mean of the answers from each respondent to 5 questions measuring on 5-point interval Likert scales.
CSR Strategic Posture	The extent to CSR programs (environmental program, workplace program, market program, and community program) is either reactive or proactive. - A reactive CSR activity focuses only at the level below or minimum required for non-voluntary regulatory compliance and addresses compliance issues only when they arise. - A proactive CSR activity focuses not only on non-voluntary regulatory compliance but expands considerably to include voluntary CSR practices level	The arithmetic mean of the answers from each respondent to 10 questions measuring on 5-point interval Likert scales. Question 13 contained 8 items measuring environmental program, Question 14 contained 7 items measuring workplace programs, Question 15-18 measured market program, and question 19-22 measured community program.

Social Performance	A measure of positive and negative result and effects of CSR programs on a company's social performance in following areas: general reputation gain; ability to attract and retain qualified employees; ability to attract and retain customers.	The arithmetic mean of the answers from each respondent to 17 questions measuring on 5-point interval Likert scales. Question 23-30 measured ability to attract and retain qualified employees, Question 31-34 measured ability to attract and retain customers, and question 35-39 measured general reputation gain.
Financial Performance	A measure of positive and negative results and effects of CSR programs on a company's finance.	The arithmetic mean of the answers from each respondent to 4 questions measuring on 5-point interval Likert scales.
CSR Strategic aggressiveness Gap	The degree of misalignment of CSR strategic aggressiveness to CSR turbulence.	The absolute difference between the scores of CSR strategic aggressiveness and CSR turbulence for each respondent. CSR strategic aggressiveness gap can range in value from 0 to 4
CSR Capability Responsiveness Gap	The degree of misalignment of CSR capability responsiveness to CSR turbulence.	The absolute difference between the scores of CSR capability responsiveness and CSR turbulence for each respondent. CSR capability responsiveness gap can range in value from 0 to 4
CSR Strategic Posture Gap	The degree of misalignment of CSR strategic posture to CSR turbulence.	The absolute difference between the scores of CSR strategic posture and CSR issue turbulence for each respondent. CSR capability responsiveness gap can range in value from 0 to 4

Data Sources

The target population for this study was small businesses registered and listed in Dynamic Small Business Search (DSBS) – a U.S. government sponsored official database. Using sector of operation as a guide, 9,643 small businesses that listed manufacturing as their general nature of business (see Appendix A for a detailed descriptions) were retrieved from the DSBS database website (http://dsbs.sba.gov/dsbs/search/dsp_dsbs.cfm) on February 7, 2013. The list was then transferred to a computer spreadsheet, and businesses without email addresses were filtered out, leaving 2,821 small manufacturing businesses remaining. The remaining businesses were exported to Qualtrics Online Survey Software's panel list (Appendix B categories many of the small businesses by state). Survey respondents were owners, senior managers, and individuals who had responsibility for CSR strategy in their small businesses.

Survey Instrument

The data for this research were collected through the survey instrument presented in Appendix C. The survey took the form of an Internet-based questionnaire set up in Qualtrics Online Survey Software.

The elements in the survey questionnaire were selected and developed based on an extensive literature review. The survey questionnaire's validity was verified by feedback from reviews by the dissertation chairperson (Dr. Greg Lorton) and dissertation committee members (Dr. Rick Ansoff and Dr. Jack Paduntin). In addition, Dr.Maung Tin Hla, who has more than 20 years of professional experience in small business sector and researched a similar population for his doctorate dissertation, reviewed the survey questionnaire. After suggestions and comments were all reviewed, unreliable or redundant questions were eliminated.

The variables analyzed in this research were calculated from the respondent's answers to multiple questions. Reliability measurements were undertaken for the independent and dependent variables within the study using Cronbach's alpha. The reliability for these variables is presented in Table 25.

Table 25

Variable Reliability

Variables	Number of Questions	Cronbach's Alpha
CSR Turbulence	3	0.839
CSR Strategic aggressiveness	4	0.619
CSR Capability Responsiveness	5	0.895
CSR Strategic Posture	23	0.896
Social Performance	29	0.896
Financial Performance	12	0.89

Data Collection and Analysis

An email containing a link to the questionnaire to be completed online was sent to 2,821 small businesses. There were 65 valid replies received. The collected data was exported directly from Qualtrics Online Survey Software to SPSS program for statistical analysis. All hypotheses and additional findings were tested using correlation (Pearson's r). All results were accepted at statistical significance levels of less than p = .05.

Assumptions

The methodology of this study's research model, measurements, and data analysis were made under the following assumptions.

1. It was assumed that the study's methods and procedures were suitable for the study.
2. It was assumed that the statistical tests chosen were appropriate for the research questions answered.
3. It was assumed that the respondents were familiar with their companies' CSR strategies and were able to answer the survey's questions with honesty and transparency.

Limitations

The samples taken in this study were small businesses in the manufacturing sector. This sample was chosen in order to limit the scope of the sample and create consistency within the sample, thus representing delimitation. However, an analysis of this study might not be sufficient to assure representativeness of all small businesses in this sector or other sectors in the United States. Although a sample size of 65 was sufficient for hypothesis testing in the correlation analysis of this study, a larger sample size would increase the reliability and stability of parameter estimates. In addition, this study collected the data from small businesses in the United State so the study's result might not be relevant to small businesses in other countries.

Another limitation of this study is the data collection method relied on subjective observations and varying levels of CSR knowledge among respondents. As a result, the possibility of misperceived variables caused respondents difficulty in differentiating and rating the variables.

Research Findings

The values for CSR turbulence, CSR strategic aggressiveness, CSR capability responsiveness, CSR strategic posture, social performance, and financial performance were calculated directly from the survey responses. The values for CSR strategic aggressiveness gap, CSR capability responsiveness gap, and CSR strategic posture gap were calculated as the absolute values of the differences between CSR turbulence and CSR strategic aggressiveness, CSR capability responsiveness, CSR strategic posture, correspondingly.

The research results indicated that Hypotheses 3, 4, 5, and 7 were supported while Hypotheses 1, 2, and 6 were not supported at significant levels less than 5%. Although results of Hypotheses 1, 2, and 6 showed significant correlation less than 5% ($p < 0.05$), the positive correlations were not postulated. Table 26 summarizes the research findings.

Table 26

Correlation of Research Variables

Variables		CSR Strategic Posture	Social Performance	Financial Performance
CSR Strategic aggressiveness Gap	Pearson's Correlation	.133	(H1) .375**	.332**
	P-Value	.291	.002	.007
CSR Capability Responsiveness Gap	Pearson's Correlation	.046	(H2) .264*	.231
	P-Value	.713	.034	.064
CSR Strategic aggressiveness	Pearson's Correlation	(H3) .548**	.433**	.378**
	P-Value	.000	.000	.002
CSR Capability Responsiveness	Pearson's Correlation	(H4) .447**	.470**	.381**
	P-Value	.000	.000	.002
CSR Strategic Posture	Pearson's Correlation	1	(H5) .614**	.423**
	P-Value		.000	.000
CSR Strategic Posture Gap	Pearson's Correlation	.392**	(H6) .371**	.202
	P-Value	.001	.002	.106
Social Performance	Pearson's Correlation	.614**	1	(H7) .689**
	P-Value	.000		.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Discussion of the Findings

The results of Hypothesis 1 and 2 showed correlations between a company's social performance and its CSR strategic aggressiveness gap and CSR capability responsiveness gap, respectively. However, the positive correlations were not anticipated in both hypotheses. Therefore, Hypothesis 1 and 2 were not supported. The results of these two hypotheses suggested that a company's social performance would be greater when its CSR strategic aggressiveness level or CSR capability responsiveness level is not closely aligned to its CSR turbulence level. As a result, Ansoff's Strategic Success Model was not validated in either hypothesis since aligning a company's CSR strategic aggressiveness level or CSR capability responsiveness level to CSR turbulence level did not provide optimal social performance. In another words, a company could increase social performance with higher CSR strategic aggressiveness level and capability responsiveness level, regardless of CSR turbulence level.

The results of Hypotheses 3 and 4 were supported at a significant level well below 5% ($p < .001$). This indicated a reliable relationship between a company's CSR strategic posture and its CSR strategic aggressiveness and CSR capability responsiveness, respectively. The results from these two hypotheses suggest that the more proactive a company's CSR strategic aggressiveness and CSR capability responsiveness are, the more proactive their CSR strategic posture will become too. As a result, small businesses should intentionally integrate their CSR activities to their business strategies and develop well-communicated CSR programs throughout the company. Additionally, the owners, managers, and staff need to effectively execute the company's CSR strategy in order to improve social performance.

The result of Hypothesis 5 was supported at a significance level well below 5% ($p < .001$). This indicated that there is a significant relationship between a company's CSR strategic posture and its social performance. A company that is more proactive in their CSR programs: environmental, workplace, marketing, and community, should have higher social performance than a company that is less proactive in those programs.

The result of Hypothesis 6 showed a correlation between a company's CSR strategic posture gap and social performance. However, the positive correlation was not postulated in this hypothesis. Therefore, Hypothesis 6 was not supported. The result suggested that a company whose CSR strategic posture level is closely aligned to its CSR turbulence level tended to have lower social performance than a company whose CSR strategic posture level is not closely aligned to its CSR turbulence. In another words, a company does not benefit when its CSR posture is aligned with its CSR turbulence. The results further suggest that social performance is higher when CSR strategic posture is higher, regardless of the CSR turbulence.

The result of Hypothesis 7 was supported at a significant level well below 5% ($p < .001$). The result showed a strong correlation between a company's social performance and its financial performance. The result suggests that a company with higher social performance tends to have higher financial performance too.

Additional Findings

There are six additional analyses in this study. Person's correlation was used to test these additional finding at a significant level of 5% ($p < 0.05$).

By the definitions and reviews from CSR literature, the research model of this study consisted of three elements of social performance and four elements of CSR strategic posture. Therefore, the researcher chose to independently investigate significant relationships found in Hypothesis 5 (a positive relationship between a company's CSR strategic posture and its social performance) and Hypothesis 7 (a positive relationship between a company's social performance and its financial performance) further in the elements level.

The relationships between each element of CSR strategic posture and social performance are shown in Table 27, and the relationships between each element of social performance and financial performance are shown in Table 28.

Table 27

Correlation between Elements of CSR Strategic Posture and Social Performance

Variables		Social Performance
Environment Program	Pearson Correlation	.364**
	P-Value	.003
Workplace Program	Pearson Correlation	.600**
	P-Value	.000
Market Program	Pearson Correlation	.602**
	P-Value	.000
Community Program	Pearson Correlation	.395**
	P-Value	.001

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Significant correlations were found between each element of CSR strategic posture and a company's social performance. The results indicate that a company that includes any of the four CSR strategic posture elements will likely have social performance benefits. The market element of CSR strategic posture resulted in the strongest correlation with a company's social performance (at r = .602), while the community element of CSR strategic posture resulted in the weakest correlation (at r = .364).

Table 28

Correlations between Elements of Social Performance and Financial Performance

Variables		Financial Performance
Employee	Pearson Correlation	.589**
	P-Value	.000
Customer	Pearson Correlation	.349**
	P-Value	.006
Reputation	Pearson Correlation	.709**
	P-Value	.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Significant correlations were found between each element of social performance and a company's financial performance. The reputation element of social performance showed the strongest correlation with financial performance (at r = .709), while the employee element of social performance showed the weakest correlation (at r = .349). There was a correlation between customer element of social performance and a company's financial performance at r = .598. The results suggest that an increase in one or more social performance elements will benefit a company's financial performance, although a cause-effect relationship is not definitive.

Four additional correlations were performed to test the relationship between CSR strategic aggressiveness and CSR capability responsiveness with company performance. The results of these relationships are presented in Table 29.

Table 29

Correlations between CSR Strategic Aggressiveness, CSR Capability Responsiveness and Company Performance

		Social Performance	Financial Performance
CSR Strategic Aggressiveness	Pearson Correlation	.433**	.457**
	P-Value	.000	.000
CSR Capability Responsiveness	Pearson Correlation	.470**	.480**
	P-Value	.000	.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Significant correlations were found between CSR strategic aggressiveness and company performance (both social and financial performance), and between CSR capability responsiveness and company performance (both social and financial performance).

All results showed positive relationships with moderate levels of correlations. The correlations between CSR strategic aggressiveness with social and financial performance depicted correlations at $r = .433$ and $r = .457$, respectively. The correlations between CSR capability responsiveness with social and financial performance resulted in correlations at $r = .470$ and $r = .480$, respectively. These results suggest that a company's social and financial performance would increase as the company's CSR development and implementation became more proactive.

Conclusion

Hypotheses 1, 2, and 6 were not supported. Although the correlations were significant at a level well below 5%, the positive relationships were not expected. This suggests that a company's social performance could be greater even when its CSR strategic aggressiveness, CSR capability responsiveness, and CSR strategic posture are not closely aligned to its CSR turbulence level. These three hypotheses confirmed that CSR benefits a company's social performance regardless of the differences between a company's actual complexity and rapidity of change in an external CSR context, its actual CSR strategic aggressiveness, and its actual CSR capability responsiveness.

Hypotheses 3, 4, and 5 were supported. The results indicate a company who proactively integrates CSR strategy with business strategy, while constantly monitoring and developing a holistic CSR system, tends to posture their CSR strategy either at a voluntary CSR practice level or beyond the regulatory compliance requirement. In addition, a company that postures its CSR practices proactively tends to have a higher social performance than a company who postures their CSR practices less proactively or at a reactive approach (at the level below or minimum required for non-voluntary regulatory compliance). In particular, a company that behaves proactively in its CSR marketing or workplace element is expected to have higher benefits in social performance compared to being proactive in the other two CSR strategic posture elements (environmental and community programs).

Hypothesis 7 was supported and the result confirmed that a relationship between a company's social performance and its financial performance exist. The result suggests a company that has high social performance tends to have high financial performance. Furthermore, the additional findings regarding the relationship between the three elements of social performance and financial performance showed that the reputation element of social performance had a stronger relationship to a company's financial performance than the employee and customer elements of social performance.

Recommendation for Owners and Managers of Small Businesses

There is obscurity in the importance of CSR practices, especially in the business case of CSR, among academic researchers and business practitioners (Carroll & Shabana, 2010). Therefore, this study was designed to assist small business owners and managers identify how CSR strategy relates to company performance.

This study found that small businesses perform well without having existing CSR programs and systems aligned with the level of complexity and speed of changes in CSR issues; specifically, changes in government regulation and compliances, supply chain, and higher stakeholder demands. Small businesses usually face CSR issues that challenge and require more capability than they have; however, the study suggests that small businesses who take initiative in their CSR systems, tend to have higher social performance regardless of external CSR changes.

Furthermore, the study's results suggest that a company who proactively behaves and postures their CSR strategy: interacting and partnering with stakeholders, being aware of social issue opportunities, developing innovative products that fulfill social needs, and integrating CSR activities into their business activities, tend to establish good reputation among their customers, employees, community, and competitors. Additionally, the company tends to have a high ability to attract and retain loyal customers and quality employees. These benefits, prospectively, would improve financial performance by creating higher sales, lower turnover rate, lower costs, and greater sustainability in its long-term competitiveness.

Due to limited financial and human resources in small businesses, the study was designed to enhance small business strategic investment by investigating the social performance benefits from CSR programs. Results suggest that a company who proactively invests in the CRS marketing element (quality and safety of products, innovation, fair prices, and ethical advertising) and proactively invests in the CSR workplace element (work conditions, pay and benefits, job creation, work/life balance, equal opportunities and diversity, job satisfaction, training and staff development, responsible and fair remuneration, and health, safety, and labor rights), is likely to have higher social performance than a company that invests less in these programs or proactively invests in other types of CSR programs (environmental and community). Therefore, it is recommended that small businesses proactively invest in CSR marketing and workplace programs over investing in environmental and community CSR programs.

In summary, small businesses are required to be socially responsible, at least at the minimum level requirements for non-voluntary regulation compliances. However, by aggressively integrating CSR programs with business activities and practicing CSR activities beyond the compliance level, a company will have a superior social performance that offers financial performance benefits. Although CSR is complicated and difficult to implement, by successfully executing a CSR strategy, a company creates shared-value between its social and economic values. Implementing CSR effectively also requires owners and managers to foresee economic value in social issues. Only companies without CSR strategic myopia can develop CSR capacity past daily tasks to include strategic long-term issues that create value to competitiveness. This potentially leads a company to improve long-term competitiveness and achieve sustainable development.

Contributions to the Academic Field of Strategic Management

The debate since 1970 between the neoclassical school of CSR and the ethical school of CSR continues to grow. The idea that businesses actually financially benefit from CSR underlies the concept of business cases for CSR. This study contributed to the strategic management field by providing empirical findings to existing CSR and strategic management conceptual reviews.

The results of this present study prevailed and supported three previous research arguments.

1. A business case for CSR studies
2. The relationship between social performance and financial performance under the scope of CSR strategy
3. Characteristics of CSR in small business

Many authors have supported the need for studies relating to the first argument (Jenkins, 2006; Murrilo & Lozano, 2006; Santos, 2011; RARE, 2006; Mandl & Dorr, 2007). This study supports the argument by showing improvement in a company's financial performance from investing in CSR programs.

In the past decade, many studies were developed to examine the relationship between the social and financial performances of a company that practices CSR (De Bakker, Groenewegen, & Den Hond, 2005; Orlitky, Schmidt, & Rynes, 2003; Allouche & Laroche, 2005; Margolis, Elfenbein, & Walsh, 2007; Pava Krausz, 1996; Griffin and Mahon, 1997). This present study's results support the second argument that there is positive relationship between social performance and financial performance. In addition, the study adds empirical data to support existing studies that examined the relationship between CSR and small business competitiveness (Murillo & Lozano, 2006; Webner, 2008; Aragón-Correa, Hurtado-Torres, Sharma, & García-Morales, 2008; Apospori, Zografos, & Magrizos, 2012; Iturrioz, et al, 2009; Hammann, Habisch, & Pechlaner, 2009, Torugsa, O'Donojue, & Hecker, 2012). The present study suggests that CSR associates with small business competitive advantage.

The study also supports the third argument by showing that small businesses can benefit from CSR regardless of alignment between CSR strategy and CSR turbulence. As a result, small businesses have been self-motivated to adopt CSR programs instead of being pressured from external social issues and demands. Therefore, as suggested by a variety of previous research, CSR studies tailored to the unique characteristics of small business is highly needed (Spence, 2007; Jenkins, 2006; Tilley, 2000; Perrini, 2006; Russo & Perrini, 2006; UNIDO, 2002).

In addition to supporting these arguments, Ansoff's Strategic Success Model was applied to study of CSR strategy as it applied to overall business strategy. Although this study did not validate the model, relationships among three elements of the model provided interesting viewpoints of CSR to existing strategic management literature. Furthermore, study results showing the influence of CSR strategy to a company's performance confirmed Ansoff's tenet that a company cannot achieve long-term sustainability by behaving irresponsibly in society. Although the overall study of CSR through a strategic management lens is still in an early stage, the present empirical study supports the concept of shared-value proposed by Porter and Kramer in 2011.

Contributions to the Practice of Management

Managers must learn to respond to the recent global awareness of social issues that created a new CSR paradigm. Further, in the past decade, the perspectives of businesses and their impacts on society have grown in importance to the company and overall business. In today's era, managers face rapid and growing social responsibility. This study presented a basic framework to investigate CSR strategic management in small business. Small business owners and managers can use the framework, elements of CSR, and elements of social performance as a fundamental aspect to develop company specific CSR strategies. In addition, the holistic framework of this study can be used as a basic CSR strategic management assessment tool to evaluate and improve a company's social and financial performance.

Recommendations for Future Research

The results of the data analyses revealed several relationships between CSR strategic management and company financial and social performances. Further research should be developed to deepen the understanding of the interaction between each relationship. For instance, future studies could investigate the relationships between each element of CSR strategic posture and social performance of a company, instead of an overall CSR strategic posture. The effectiveness of different CSR strategies and activities could also be matter of further investigation. Additional research is also needed to clarify the association between CSR strategy and a company's social performance. This would enable small businesses to make the best use of their capabilities to improve performance. Further, this present study did not suggest a cause-effect relationship between social performance and financial performance. Future research is recommended for testing the causation of the relationship. A longitudinal study over a longer period would also allow assessment of the causal relations between CSR strategic management, social performance, and financial performance.

Moreover, to better understand the impact of CSR strategic management in a business, a future study could address a limitation of the present research by studying all relevant stakeholders, rather than only relying on the perception of small business owners and managers. Specifically, future studies could collect financial performance data from a public source instead of through a self-report method. In addition, social performance elements could be assessed by collecting data from employees and customers. These recommendation approaches would require information that is more detailed. As a result, combining qualitative research with quantitative research may be the best method. Future research could also focus on only examining companies that score high in both social and financial performance. A case study approach could be applied to this target population to extend a conclusion of the present study's results.

Lastly, this study was one of the few studies that applied Ansoff's Strategic Success Model to a company's functional strategy as an overall business strategy. The study is the second research that adapted Ansoff's model in investigating CSR strategic management. Although the model was not validated in this study, by studying the model in CSR for large corporations or small businesses in other industries or other regions, different from this research, there could be proof of validation, particularly in the area of CSR. Since business rules (mainly laws and regulations, culture, supply chain, and societal aspects) in each industry and region vary, employing the model to different research populations would be valuable to the management field. Finally, Ansoff's

Strategic Success Model was not originally developed to investigate societal strategy individually. Therefore, future research should address and incorporate legitimacy analysis recommended by Dr. H Igor Ansoff in his concept of societal strategy.

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APPENDICES

APPENDIX A

North American Industry Classification System (NAICS) Definition

2012 NAICS Definition

T = Canadian, Mexican, and United States industries are comparable.

Sector 31-33 -- Manufacturing^T

The Sector as a Whole

The Manufacturing sector comprises establishments engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products. The assembling of component parts of manufactured products is considered manufacturing, except in cases where the activity is appropriately classified in Sector 23, Construction.

Establishments in the Manufacturing sector are often described as plants, factories, or mills and characteristically use power-driven machines and material-handling equipment. However, establishments that transform materials or substances into new products by hand or in the worker's home, and those engaged in selling to the general public products made on the same premises from which they are sold, such as bakeries, candy stores, and custom tailors, may also be included in this sector. Manufacturing establishments may process materials or may contract with other establishments to process their materials for them. Both types of establishments are included in manufacturing.

The materials, substances, or components transformed by manufacturing establishments are raw materials that are products of agriculture, forestry, fishing, mining, or quarrying, as well as products of other manufacturing establishments. The materials used may be purchased directly from producers, obtained through customary trade channels, or secured without recourse to the market by transferring the product from one establishment to another under the same ownership.

The new product of a manufacturing establishment may be finished in the sense that it is ready for utilization or consumption, or it may be semi-finished to become an input for an establishment engaged in further manufacturing. For example, the product of the alumina refinery is the input used in the primary production of aluminum; primary aluminum is the input to an aluminum wire drawing plant; and aluminum wire is the input for a fabricated wire product manufacturing establishment.

The subsectors in the Manufacturing sector generally reflect distinct production processes related to material inputs, production equipment, and employee skills. In the machinery area, where assembling is a key activity, parts and accessories for manufactured products are classified in the industry of the finished manufactured item when they are made for separate sale. For example, a replacement refrigerator door would be classified with refrigerators and an attachment for a piece of metal working machinery would be classified with metal working machinery. However, components input from other manufacturing establishments are classified based on the production function of the component manufacturer. For example, electronic components are classified in Subsector 334, Computer and Electronic Product Manufacturing and stampings are classified in Subsector 332, Fabricated Metal Product Manufacturing.

Manufacturing establishments often perform one or more activities that are classified outside the Manufacturing sector of NAICS. For instance, almost all manufacturing has some captive research and development or administrative operations, such as accounting, payroll, or management. These captive services are treated the same as captive manufacturing activities. When separate establishments provide the services, they are classified to the NAICS sector where such services are primary, not in manufacturing.

The boundaries of manufacturing and the other sectors of the classification system can be somewhat blurry. The establishments in the manufacturing sector are engaged in the transformation of materials into new products. Their output is a new product. However, the definition of what constitutes a new product can be somewhat subjective. As clarification, the following activities are considered manufacturing in NAICS:

- Mild bottling and pasteurizing;
- Water bottling and processing;
- Fresh fish packaging (oyster shucking, fish filleting);
- Apparel jobbing (assigning of materials to contract factories or shops for fabrication or other contract operations) as well as contracting on materials owned by others;
- Printing and related activities;
- Ready-mixed concrete production;
- Leather converting;

Conversely, there are activities that are sometimes considered manufacturing, but by the NAICS are classified in another sector (i.e., not classified as manufacturing). They include:

1. Logging, classified in Sector 11, Agriculture, Forestry, Fishing and Hunting, is considered a harvesting operation;

2. The beneficiating of ores and other minerals, classified in Sector 21, Mining,

Quarrying, and Oil and Gas Extraction, is considered part of the activity of mining;

3. The construction of structures and fabricating operations performed at the site of construction by contractors is classified in Sector 23, Construction;

4. Establishments engaged in breaking of bulk and redistribution in smaller lots, including packaging, repackaging, or bottling products such as liquors or chemicals; the customized assembly of computers; sorting of scrap; mixing paints to customer order; and cutting metals to customer order, classified in Sector 42, Wholesale Trade or Sector 44-45, Retail Trade, produce a modified version of the same product, not a new product; and

5. Publishing and the combined activity of publishing and printing, classified in Sector 51, Information, perform the transformation of information into a product whereas the value of the product to the consumer lies in the information content, not in the format in which it is distributed (i.e., the book or software diskette).

APPENDIX B

Research Sampling

Name of State			Total SMEs	Total email
ALABAMA	Alabama	AL	138	37
ALASKA	Alaska	AK	46	13
ARIZONA	Arizona	AZ	173	56
ARKANSAS	Arkansas	AR	65	18
CALIFORNIA	California	CA	1422	421
COLORADO	Colorado	CO	202	67
CONNECTICUT	Connecticut	CT	188	56
DELAWARE	Delaware	DE	28	8
FLORIDA	Florida	FL	514	178
GEORGIA	Georgia	GA	232	79
HAWAII	Hawaii	HI	45	14
IDAHO	Idaho	ID	65	18
ILLINOIS	Illinois	IL	341	106
INDIANA	Indiana	IN	141	46
IOWA	Iowa	IA	63	28
KANSAS	Kansas	KS	72	21
KENTUCKY	Kentucky	KY	89	24
LOUISIANA	Louisiana	LA	81	29
MAINE	Maine	ME	46	12
MARYLAND	Maryland	MD	308	102
MASSACHUSETTS	Massachusetts	MA	234	62
MICHIGAN	Michigan	MI	341	105
MINNESOTA	Minnesota	MN	203	52
MISSISSIPPI	Mississippi	MS	38	12
MISSOURI	Missouri	MO	144	42
MONTANA	Montana	MT	50	7
NEBRASKA	Nebraska	NE	61	18
NEVADA	Nevada	NV	75	23
NEW HAMPSHIRE	New Hampshire	NH	108	28
NEW JERSEY	New Jersey	NJ	281	80
NEW MEXICO	New Mexico	NM	103	33
NEW YORK	New York	NY	419	117
NORTH CAROLINA	North Carolina	NC	219	53
NORTH DAKOTA	North Dakota	ND	26	10
OHIO	Ohio	OH	405	96
OKLAHOMA	Oklahoma	OK	111	26
OREGON	Oregon	OR	167	44
PENNSYLVANIA	Pennsylvania	PA	474	121
RHODE ISLAND	Rhode Island	RI	40	13
SOUTH CAROLINA	South Carolina	SC	111	32
SOUTH DAKOTA	South Dakota	SD	31	13
TENNESSEE	Tennessee	TN	131	40
TEXAS	Texas	TX	580	163
UTAH	Utah	UT	89	23
VERMONT	Vermont	VT	39	10
VIRGINIA	Virginia	VA	350	99
WASHINGTON	Washington	WA	290	85
WEST VIRGINIA	West Virginia	WV	20	2
WISCONSIN	Wisconsin	WI	214	75
WYOMING	Wyoming	WY	30	4
Total			9643	2821

APPENDIX C

Survey Email, Informed Consent Form, Survey

Survey Email

Dear Small Business's Owner or Manager:

I am requesting your help to complete my research survey. The focus of my research is about the impacts of CSR programs and performance of small businesses. My research project, *Corporate Social Responsibility (CSR) and Performance: A Study of Small Businesses in the United States* is the culmination of my doctorate degree in Business Administration at Alliant School of Management of Alliant International University (AIU) in San Diego, California. My dissertation committee includes: Dr. Greg Lorton as a chairperson, Dr. Rick Ansoff, and Dr. Jack Paduntin.

I have received approval from AIU's Institutional Review Board to administer this survey. Your participation is voluntary and will be anonymous. If you have any questions about this survey, you may contact the Board at Alliant International University, Institutional Review Board, 10455 Pomerado Road, San Diego, CA 92131.

The survey may be completed online by clicking Take the Survey or copy and paste the URL below into your internet browser: https://qtrial.qualtrics.com/WRQualtricsSurveyEngine/?Q_SS=0csY3bmr0L0PLdH_5ulPI3HaLzfwpdH&_=1. It should take about 20 minutes to complete the survey.

To thank you for participating in the study, you can be entered into a random drawing to receive a $100 gift card from Amazon.com.

If you wish to access a brief summary of the results or have any questions about this study, please email me at ssrichatsuwan@alliant.edu.

Sincerely,

Supaporn Srichatsuwan
DBA Student in Strategic Management
Alliant International University
San Diego, California

<u>Informed Consent Form</u>

As a participant in academic research study, you have certain rights and responsibilities to be notified of your right and obligations. AIU's Institutional Review Board approved this survey in accordance with AIU policy. In accordance with the policy, your rights and expectations are listed below:

-Your participation is limited to filling out and returning the survey and no additional activities are required.

- Your participation is voluntary and there is no significant risk anticipated in participating in this survey.

- Your consent to participate in the study is implicitly indicated by returning the survey and participation can be withdrawn and discontinued at anytime.

- All survey responses will be handled in confidence and only the aggregated results for all respondents will be presented in the dissertation and any subsequent publication.

- A copy of the results will be sent to you if you wish to do so.

ELECTRONIC CONSENT: Please select your choice below.

Clicking on the "agree" button below indicates that:

• You have read the above information

• You voluntarily agree to participate

If you do not wish to participate in the research study, please decline participation by clicking on the "disagree" button.

A Survey of CSR in Small Business

For the purposes of this survey, "**CSR**" means "Corporate Social Responsibilities" and defined as "A concept whereby a company integrates social and environmental concerns in their business operations."

Question 1: Please indicate which answer best describes the complexity of issues pertaining to CSR in your business?

1. Issues are not at all difficult or complex.
2. Issues are slightly difficult and complex.
3. Issues are moderately difficult and complex.
4. Issues are usually difficult and complex.
5. Issues are always very difficult and complex.

Question 2: Please indicate which answer best describes your company's ability to react to changes in CSR issues?

1. Changes are usually so rare that we don't worry about them.
2. When changes arise, we usually can react easily.
3. When changes arise, we can usually react in time.
4. When changes arise, we are usually trying to catch up
5. Changes happen all the time. We struggle to keep up.

Question 3: Please indicate which answer best describes the predictability of changes in CSR issues for your business?

1. Changes are usually so rare that we don't worry about them.
2. We know what changes are coming well ahead of time.
3. We can usually anticipate that changes will occur, but not always when.

4. We can sometimes anticipate changes but we are occasionally surprised.
5. We can rarely anticipate changes. The changes are usually surprises.

Question 4: How would you characterize your company's approach for interacting with a group of external stakeholders such as customers, suppliers and community on your CSR issues?

1. We rarely interact with them, if at all.
2. We interact infrequently with them, and only when necessary.
3. We interact occasionally with them on current issues only.
4. We interact occasionally with them on both current issues and on potential future issues.
5. We interact early and often with them on many issues.

Question 5: What is your company's approach to change on issues pertaining to CSR?

1. We deal with changes only when the changes are mandatory.
2. We wait until changes are imminent.
3. We predict what existing issues are changing, and plan accordingly.
4. We try to anticipate what new issues will arise, and plan accordingly.
5. We work to promote issues to our benefit.

Question 6: What best describes your organization's response to customer needs?

1. We have not changed our products/services in years.
2. We normally only need to adapt our products/services with only small changes.

3. We need to quickly adapt our products/services but usually with only small changes.
4. We work to develop new products/services or make significant changes in our current products/services to meet new customer desires.
5. We innovatively create products to solve problems for customers.

Question 7: Please indicate the extent to which you agree or disagree with the following statement (from 1 to 5, where 1 = Strongly disagree and 5 = Strongly agree).

"Our CSR activities are closely related to our business strategy".

Question 8: Please indicate to what extent are your CSR policies and programs developed and disseminated (ranging from 1 to 5, where 1 = No formal policies or programs and 5 = Disseminated to all employees and to outside stakeholders)?

Question 9: Please indicate how much time do you or your staff devote to keeping up to date and researching on CSR issues (ranging from 1 to 5, where 1 = Not at all and 5 = Significant amount of time)?

Question 10: What will you rate your knowledge of CSR policies, programs, and processes (ranging from 1 to 5, where 1 = Minimal knowledge and 5 = Expert knowledge)?

Question 11: What is the overall level of communication about CSR policies and programs to staff (ranging from 1 to 5, where 1 = No communication or training and 5 = Communicate and provide training to all employees)?

Question 12: What is your organization's attitude toward risk and uncertainty in CSR activities?

1. Avoid risk as much as possible.

2. Accept risk only when there are may be a current benefit.
3. Accept risk when a future benefit almost certain.
4. Accept risk when there is a potential, but uncertain future benefit.
5. Push for new regulations and/or innovative CSR programs.

Question 13: Please indicate to what extent is your company involved in the following programs beyond mandatory requirement ranging from 1 to 5, where 1 = Not at all and 5 = To a great extent)?

- Waste reduction
- Recycling
- Energy conservation
- Water conservation
- Air pollution emission reduction
- Packaging reduction
- Sustainable transportation
- Wastewater reduction

Question 14: Please indicate to which extent is your company involved in the following activities beyond mandatory requirement ranging from 1 to 5, where 1 = Not at all and 5 = To a great extent)?

- Performance Appraisals
- Career Training and Development
- Health benefits
- Equal employment opportunities (against all forms of discriminations)
- Flexible work hours

- Commitment to Health and safety
- Ensuring a work/life balance among employees

Question 15: To what extent does your company supply clear and accurate information and labeling about products and services, including after sales (ranging from 1 to 5, where 1 = At a minimum and 5 = To a great extent)?

Question 16: To what extent does your company resolve customer complaints in a timely manner (ranging from 1 to 5, where 1 = At a minimum and 5 = To a great extent)?

Question 17: To what extent are quality assurance criteria adhered to in production (ranging from 1 to 5, where 1 = At a minimum and 5 = To a great extent)?

Question 18: To what extent is your company committed to providing value to customers (ranging from 1 to 5, where 1 = At a minimum and 5 = To a great extent)?

Question 19: To what extent does your company donate to charity (ranging from 1 to 5, where 1 = Not at all and 5 = To a great extent)?

Question 20: To what extent is your company actively involved in a voluntary project(s) with the local community (ranging from 1 to 5, where 1 = Not at all and 5 = To a great extent)?

Question 21: To what extent does your company have purchasing policies that favor the local communities in which your company operates (ranging from 1 to 5, where 1 = Not at all and 5 = To a great extent)?

Question 22: To what extent does your company have recruitment policies that favor the local communities in which your company operates (ranging from 1 to 5, where 1 = Not at all and 5 = To a great extent)?

Question 23: Please indicate the extent to which you agree or disagree with the following statement (ranging from 1 to 5, where 1 = Strongly disagree and 5 = Strongly agree).

"Our company finds it easy to attract new employees."

Question 24: Please indicate the impact of the CSR activities of your company on employee recruitment (ranging from 1 to 5, where 1 = Strong negative impact and 5 = Strong positive impact).

Question 25: What is the typical length of employment (tenure) in your company?

1. Less than 1 year
2. 1-3 years
3. 3-5 years
4. 5-10 years
5. Over 10 years

Question 26: Please estimate the percentage of current employees that were recommended to the company by other employees.

1. 0-20%
2. 21-40%
3. 41-60%
4. 61-80%
5. 81-100%

Question 27: Please estimate the level of job satisfaction among employees in your company (ranging from 1 to 5, where 1 = Highly dissatisfied and 5 = Highly satisfied?

Question 28: Please indicate the impact of the CSR activities of the company on employee retention (ranging from 1 to 5, where 1 = Strong negative impact to 5 = Strong positive Impact).

Question 29: How does the level of absenteeism in this company relate to the average of the sector/business in which the company operates (ranging from 1 to 5, where 1 = Much higher than average of the sector and 5 = Much lower than average of the sector)?

Question 30: Please indicate the impact of the CSR activities of the company on employee motivation (ranging from 1 to 5, where 1 = Strong negative impact and 5 = Strong positive impact).

Question 31: Please estimate the percentage of sales in 2012 that normally were from repeat customers.

1. 0-20 %
2. 21-40 %
3. 41-60%
4. 61-80%
5. 81-100%

Question 32: Please estimate the percentage of new sales in 2012 that came about as a result of recommendations from your current customers.

1. 0-20%
2. 21-40%
3. 41-60%
4. 61-80%
5. 81-100%

Question 33: Please estimate the percentage of current customers you would describe as loyal customers (have a positive attitude about the company, recommend the company/products to others and make repeat purchases).

1. 0-20%
2. 21-40%
3. 41-60%
4. 61-80%
5. 81-100%

Question 34: Please indicate the impact of the CSR activities of the company on customer loyalty (ranging from 1 to 5, where 1 = Strong negative impact and 5 = Strong positive impact).

Question 35: Please indicate the rating you believe your CUSTOMERS would give your company on the following criteria (ranging from 1 to 5, where 1 = Not very good and 5 = Very good).

- Quality products and services
- Quality of staff
- Environmental responsibility
- Community responsibility

Question 36: Please indicate the rating you believe your EMPLOYEES would give your company on the following criteria (ranging from 1 to 5, where 1 = Not very good and 5 = Very good).

- Quality products and services
- Quality of staff

- Environmental responsibility
- Community responsibility

Question 37: Please indicate the rating you believe your COMMUNITY would give your company on the following criteria (ranging from 1 to 5, where 1 = Not very good and 5 = Very good).

- Quality products and services
- Quality of staff
- Environmental responsibility
- Community responsibility

Question 38: Please indicate the rating you believe your OTHER COMPANIES IN YOUR SECTOR would give your company on the following criteria (ranging from 1 to 5, where 1 = Not very good and 5 = Very good).

- Quality products and services
- Quality of staff
- Environmental responsibility
- Community responsibility

Question 39: Please indicate the impact of the company's CSR activities on the reputation of the company in general (ranging from 1 to 5, where 1 = Strong negative impact and 5 = Strong positive impact).

Question 40: Please indicate how net profit of the firm in 2012 related to expectations (ranging from 1 to 5, where 1 = Much lower than expectations and 5 = Much higher than expectations).

Question 41: How did sales of the company in 2012 relate to the last five years (or years of existence if less)?

1. Substantial decrease from the last five years
2. Decrease from the last five years
3. Same as the last five years
4. Increase from the last five years
5. Substantial increase from the last five years

Question 42: Please indicate the impact of the CSR activities of the company on the financial performance of the company (ranging from 1 to 5, where 1 = Strong negative impact and 5 = Strong positive impact).

Question 43: Please indicate the extent to which your company has experienced any of the following benefits from your CSR activities (ranging from 1 to 5, where 1 = At a minimum and 5 = To a great extent).

- Improved community relations
- Enhanced company image
- Improved employee attraction
- Improved employee retention
- Improved employee motivation
- Increased sales (customer attraction)
- Improved customer loyalty
- Reduced costs
- Improved access to capital (Banks or investors)

Company Information:

According to NAICS size standard for Manufacturing, are you a small business?

- Yes
- No

Are you a senior manager or owner of the company?

- Yes
- No (If no, please provide your position) _______________

What is your primary type of manufacturing?

____

How many employees does your company employ?

Less than 10

10-50

51-250

251-500

Greater than 500

APPENDIX D

Statistical Results

Variables		CSR Strategic Aggressiveness	CSR Capability Responsiveness	CSR Strategic Posture	Social Performance	CSR Strategic Aggressiveness Gap	CSR Capability Responsiveness Gap	CSR Strategic Posture Gap	Financial Performance
CSR Turbulence	Pearson Correlation	.221	.142	-.020	-.099	-.349	-.031	-.712	-.005
	P-Value	.076	.258	.877	.433	.004	.805	.000	.970
CSR Strategic Aggressiveness	Pearson Correlation	1	.775	.548	.433	.210	-.004	-.067	.457
	P-Value		.000	.000	.000	.094	.975	.594	.000
CSR Capability Responsiveness	Pearson Correlation		1	.447	.470	.241	.286	.006	.480
	P-Value			.000	.000	.053	.021	.961	.000
CSR Strategic Posture	Pearson Correlation			1	.614	.133	.046	.392	.485
	P-Value				.000	.291	.713	.001	.000
Social Performance	Pearson Correlation				1	.375	.264	.371	.689
	P-Value					.002	.034	.002	.000
CSR Strategic Aggressiveness Gap	Pearson Correlation					1	.578	.591	.389
	P-Value						.000	.000	.001
CSR Capability Responsiveness Gap	Pearson Correlation						1	.330	.293
	P-Value							.007	.018
CSR Strategic Posture Gap	Pearson Correlation							1	.213
	P-Value								.088
Financial Performance	Pearson Correlation								1
	P-Value								