

# Small yet social and sustainable

Identifying key drivers across different industries that move Dutch  
SMEs to implement CSR practices



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## **Abstract**

In a fast changing world where the concept of corporate social responsibility (CSR) is receiving more attention in business literature than ever, the connection between small and medium-sized enterprises (SMEs) and CSR is still rather underexposed. This might seem quite odd, since SMEs have a significant stake in the economy in general. This thesis focuses on this connection and aims at identifying key drivers that move SMEs to implement CSR practices in their businesses, and analyses how these drivers differ across several industries. A qualitative study is conducted using semi-structured interviews on a sample, collected through purposive and snowball sampling, of 16 Dutch SMEs, active in the construction, business-to-business manufacturing, and agricultural industry. After coding the data using the widely accepted coding paradigm of Strauss & Corbin, four internal drivers and four external drivers that move SMEs to implement CSR practices have been identified. The findings of this thesis suggest that CSR activity of SMEs in the construction industry seems to be mainly influenced by internal drivers, where CSR activity of SMEs in the agricultural industry seems to be mainly influenced by external drivers. Concerning CSR activity in the business-to-business manufacturing industry, the influence of internal and external drivers seems to be more balanced.

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During my study programme in business administration, I always have had a strong passion for the field of corporate social responsibility. I believe that business has a great responsibility in improving the world we live in, both socially and environmentally. Therefore, I knew upfront that I wanted to write my master thesis, the final milestone before graduating in the MSc Strategic Management, in this field of study.

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## **1. Introduction**

Over the years, there has been a growing attention of the outside world on businesses operating in a ‘sustainable’ way (Forbes, 2012; Costa & Menichini, 2013). Where the focus before the 1960s was purely pointed at providing maximum financial returns to a company its shareholders, the social and ecological footprint of organizations became more important over the years after pressures coming from social activist groups and other members of society (Carroll, 1991). These members of society are called ‘stakeholders’ (Freeman, 1984). Stakeholders are individuals or groups which are influenced by and influence organizations. Putting this into other words, everyone who is related to an organization, one way or another, is a stakeholder of that organization. For instance, one can think of customers, suppliers, employees, governments, shareholders and community groups as stakeholders (McWilliams & Siegel, 2001).

To respond to the demands coming from the wide variety of stakeholders, organizations have put more emphasis in implementing corporate social responsibility (CSR) into their businesses (McWilliams & Siegel, 2001). McWilliams and Siegel define CSR ‘as actions that appear to further some social good, beyond the interests of the firm and that which is required by law’ (2001, p.117). Referring to Keith Davis (1960), CSR stands for ‘decisions and actions taken for reasons at least partially beyond the firm its direct economic or technical interest’ (Davis, 1960; Carroll, 1991, p.39). The concept of CSR is more broadly defined in chapter two, which elaborates on the theoretical framework of this thesis.

Today more than ever, there is a lot of pressure on organizations to act as good corporate citizens. With the rise of (social) media, organizations are under the public radar all the time. Every day, one can read in the newspaper or the internet about the social and ecological footprints organizations have on their stakeholders and environment. For instance, just recently, the big multinational enterprise Shell was accused of avoiding taxes in the countries where its drilling activities are taking place (Friends of the Earth International, 2018). Shell is currently also being threatened with legal action, since their operations are not in compliance with the Paris climate agreements set in 2015 (The Guardian, 2018). The Dutch wing of the international organization Friends of the Earth wants to bring Shell to court, unless they revise their plans of investing only 5% in sustainable energy. As another example, the British newspaper The Mail on Sunday accused Apple Inc. of its products being manufactured under poor working conditions in China, eventually leading to several suicide

attempts among laborers (Daily Mail, 2006; Pun et al., 2016). These ethical scandals can have disastrous effects on business performance in the form of legal penalties, bad publicity and harmed customers relationships (Aguilar, 1994).

According to The World Bank, multinationals have the responsibility to invest in human capital and to provide local communities with sources to pursue their own economic development (Nelson, 1996; Eweje, 2006). Multinationals feel this pressure to contribute to local communities around the world. For instance, Nestlé argues that they want to contribute to the development of sustainable economies in Africa (Jallow, 2009). Firms have an incentive to implement socially responsible practices, since it can positively influence the public perception of this firm, resulting in an increased market share and improved stakeholder relations (Ramus & Montiel, 2005). However, there might be a discrepancy between statements on incorporating CSR practices, and actually carrying out these practices, resulting in the so-called phenomenon of ‘greenwashing’ (Ramus & Montiel, 2005). Thus, the incorporation of CSR practices might also be misused just for the sake of being valued as a good corporate citizen, with the goal of maximizing shareholder value.

As has been stated before, corporate social responsibility (CSR) practices and actions have become more important for companies over the years. Companies are nowadays forced, more than ever, to incorporate CSR practices into their organizations to strive for sustainable growth, because of the rising interests the public media, NGOs and other stakeholders have in the functioning of companies (van Marrewijk, 2003). A damaged reputation is one of the focal points multinationals fear most in doing business (Volkskrant, 2007). Since the introduction of the concept of CSR in 60’s, much has been written on this subject concerning the larger firms as for instance multinationals. However, according to Murillo and Lozano (2006), academic literature on small and medium-sized enterprises (SMEs) and CSR is relatively scarce. Morsing and Perrini agree upon this point stating :

*“The grandness of small business on corporate social responsibility is overshadowed by a focus on the more conspicuous merits or scandals of large multinational companies.” (2009, p.1)*

Since more than 50% of employment is provided by SMEs, both in developed and developing countries, SMEs have a significant influence on wealth creation (Mousiolis et al., 2015). Moreover, SMEs reflect over 90% of total businesses around the globe (Jenkins, 2004).

Existing academic literature on CSR has a major emphasis on the larger companies. Solutions that are provided towards encouraging a greater implementation of CSR practices in an organization, are not relevant for SMEs (Jenkins 2004). Recognized CSR concepts cannot be transferred to SMEs, since these concepts ask for costly and time consuming administrative structures. Usually, SMEs have to deal with limited access to information and limited resources (Fassin, 2008). Therefore, it might be interesting to analyze what small and medium-sized enterprises do for local communities and their environment, besides their profit-based actions. Since they seem to receive far less media attention than multinationals on their functioning, their grounds of doing business might differ from those of multinationals. This thesis focuses on this point and aims at identifying key drivers that move SMEs to implement CSR practices in their businesses. Furthermore, this thesis looks into how these key drivers might differ across industries. As Russo and Tencati (2009) conclude, differences in CSR practices and factors that drive those practices do not only exist between large companies and SMEs, but also between organizations having more or less the same size. However, they argue that there is only little knowledge on this phenomenon. Moreover, Kechiche and Soparnot (2012) conclude in their literature review on CSR in SMEs that only few studies highlight how key drivers that influence CSR activity differ across business industries. Thus, they propose that it would be interesting to look more into these industry specific drivers, by performing comparative studies. These recommendations for future research provide an attractive gap to fill for this thesis.

There is quite some debate on what defines an SME, since there is not a universal definition (Jenkins, 2004). Since this thesis focuses on Dutch organizations only, qualifications decided by the Dutch government are used. These qualifications are similar to those set by the European Commission, although some exact numbers are different. According to the European Commission, the main factors that determine companies are micro-, small-, or medium-sized

enterprises are its staff headcount, and either turnover or balance sheet total (European Commission, 2015). The exact numbers to determine the size of

	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
<b>Balance sheet total</b>	≤ €350,000	≤ €6,000,000	≤ €20,000,000
<b>Turnover</b>	≤ €700,000	≤ €12,000,000	≤ €40,000,000
<b>Staff headcount</b>	< 10	< 50	< 250

*Table 1: Qualifications firm size*

a Dutch firm are depicted in Table 1 on the right (Burgerlijk Wetboek, 2017). For the sake of convenience, all companies that exceed these numbers are considered as large-sized firms in this thesis.

According to Russo & Perrini (2010), it is not just the factors size and turnover/balance sheet which determine the differences between SMEs and multinationals (MNEs). Usually, MNEs are diversified, externally financed and they tend to have a rigid organizational structure, which is based on highly formalized transactions and processes. SMEs, on the other hand, are usually independent, financed by entities within the organization, flexible, cash-limited, and built on informal relationships in and outside the organization. Brammer et al. (2012) note that SMEs differ from large firms in terms of having a rather informal organizational structure, where personal choices and attitudes of the owners have a major influence on the socially responsible behavior of the SME. Most decisions made within SME concerning managing business are taken by the owners (Walker & Brown, 2004; Gilmore et al., 2001; Perrini et al., 2007; O'Regan et al., 2005). SMEs are more flexible and there is a strong focus on personal relationships between the SME and external stakeholders (Brammer et al., 2012).

To narrow the focus of this thesis and make it more feasible, the research is conducted on Dutch small and medium-sized firms, operating in three different industries only. Focusing merely on Dutch SMEs is interesting, since only little has been written about these firms and their connection to CSR. Most of the CSR literature connected to Dutch firms is focused on large enterprises such as Royal Dutch Shell and Unilever (Ekatah et al., 2011; Hennchen, 2015; Mirvis, 2008). Furthermore, the Dutch government explicitly promotes that Dutch firms should engage in socially responsible business practices. Firms have to take into account human rights, working conditions and the environment in executing their operations. According to the Dutch government, business in general can play a significant part in reaching the goals set in the Paris Climate Agreement (Government of the Netherlands, 2019). As stated before, SMEs are important players within the economy, especially in the Netherlands where 99% of all registered firms are SMEs (MKB Servicedesk, 2019). Thus, it is interesting to see how Dutch firms answer to this government desire for CSR within businesses. Some authors that have done research on the matter of CSR in Dutch SMEs, Graafland et al. (2003), conclude that small Dutch firms make significantly less use of the common CSR instruments than large firms do. This conclusion is in line with their expectations, where they claim that large firms probably incorporate more of these CSR instruments than small firms do, since large firms are more visible to the public and media. However, they also state that more research has to be conducted on SMEs and what drives them to implement CSR practices. Narrowing down the scope of this research into three



industry categories gives direction to the research and the opportunity of making comparisons among the different industries. The researched industries are the construction, business-to-business manufacturing, and agricultural industry. These industries are chosen based on their significant importance to the Dutch economy (Graydon, 2019), and the accessibility of potential respondents in the network of the researcher. Of the 1,8 million registered firms in the Netherlands in 2019, roughly 20% is active in one of the three researched industries (CBS, 2019).

The research question underlying this thesis is formulated as follows:

*‘What are the key drivers that move Dutch SMEs to implement CSR practices and how do these differ across industries?’*

By being able to answer this question, the objective of this thesis is to give insights on the pressures that small and medium-sized enterprises experience concerning the rising demand for corporate social responsibility. It might give an answer to the question whether SMEs are, similar to MNEs, externally motivated to implement CSR in their businesses, or that motivations for implementing CSR depends more on internal factors. With gaining insights about these drivers, the existing literature gap on why and how SMEs, active in different industries, deal with an increasing demand for CSR can be filled. Current academic literature fails to explain what the possible influence of the industry an SME operates in is on implementing CSR. However, an important note is that the process of decision-making in SMEs itself is not taken into consideration in this thesis, since decision-making is an entire concept on its own in academic business literature. In order to answer this research question, semi-structured interviews are conducted with representatives from Dutch SMEs, operating in the construction, business-to-business manufacturing, and the agricultural industry.

Following in chapter 2, the theoretical framework of this thesis is discussed. The central concepts of CSR, stakeholder theory, CSR practices and SMEs are more broadly defined. Furthermore, these concepts are linked providing a conceptual framework that will form the basis of this study. In chapter 3, the methodology underlying this research is discussed. Arguments for the methodological choices that are made in this research are explained. It provides an insight on the research strategy, data collection, data management and data analysis. Furthermore, arguments concerning the quality and ethics of research are discussed. In chapter 4, the results of the research conducted are discussed. These results are presented based on the developed sub-questions, which are formulated in chapter 2.

Furthermore, the codebook and dataset developed are illustrated. Finally in chapter 5, the conclusion and discussion are presented. The conclusion gives an interpretation of the results discussed in chapter 4 and provides an answer to the research question of this thesis. In the discussion section, the results of this research are linked to academic literature. Furthermore, practical and managerial implications are provided, the limitations of this research are highlighted, and directions for future research are proposed.

## **2. Theoretical framework**

In this chapter, the theoretical framework of this thesis is discussed. This theoretical framework provides the foundation on which the research of this thesis is built. Firstly, the central concepts of ‘corporate social responsibility (CSR)’, ‘stakeholder theory’, and ‘CSR practices’ are being explained. Thereafter, theory on CSR in SMEs is provided. All these concepts are linked into a conceptual framework, which will form as a basis for the research conducted. Finally, sub-questions are formulated to give more structure to this thesis.

### **2.1 Corporate Social Responsibility**

There has been quite some debate on the origin of the concept of corporate social responsibility, from now on abbreviated as CSR. There is quite some consensus among authors on the topic of CSR that it was Howard Bowen (1953) being the first to conceptualize CSR in a formal definition (Carroll, 1999; Dahlsrud, 2008; Moura-Leite & Padgett, 2011). In his book ‘*Social Responsibilities of Businessman*’ (1953), Bowen clearly stated that the few largest businesses around the globe had great influence on the lives of citizens concerning many points. He came with the following definition, which can be linked to CSR:

*“It refers to 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 objectives and values of our society” (Bowen, 1953, p.6; Carroll, 1999, p.270).*

Over the years, more definitions on CSR have been formulated. For instance, according to Keith Davis (1960), a company its social responsibility is all about its ‘decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest’ (Davis, 1960; Carroll, 1991). Furthermore, Michael Hopkins (1998) refers to CSR as ‘being concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Stakeholders exist both within a firm and outside. Consequently, behaving socially responsible will increase the human development of stakeholders both within and outside the corporation’ (1998; Dahlsrud, 2008; Rahman, 2011). Wrapping this up, based on these definitions, one can conclude that CSR is all about businesses acting beyond the scope of their own interest. Firms do not only serve an economic interest, but also one of social and ecological nature.

Based on the richness of definitions of CSR-literature, Alexander Dahlsrud identified five dimensions to make the concept of CSR less abstract (2008). These dimensions are

widely cited in CSR literature (Carroll & Shabana, 2010). Firstly, there is the environmental dimension. Firms have to consider how their operations affect the natural environment. The negative effects of its ecological footprint should be minimized. Secondly, there is the social dimension, which depicts the relations between society and the firm. A firm has a duty to contribute to a better society by integrating social needs in their businesses. Thirdly, there is the economic dimension, which is about financial or socio-economic aspects. A firm has to contribute to the economic development of its stakeholders. On the other hand, the firm has to make sure profitability is preserved to ensure survival within the environment it operates in. As a fourth, there is the stakeholder dimension, which is about stakeholder or stakeholder groups. A firm has a strong influence on stakeholders and therefore it has to interact with them. Finally, as a fifth, there is the voluntariness dimension, which depicts actions not prescribed by law. A firm has the duty to act beyond legal obligations. This dimension is about actions which are voluntary and based on certain ethical standards.

This model shows a strong resemblance with the classic concept of the Triple Bottom Line, formulated by John Elkington. According to this concept, CSR or corporate sustainability, which can be considered as synonyms of each other, consists of three dimensions. These are the economic (profit), social (people), and environmental (planet) dimension (Slaper & Hall, 2011). This model was designed in order to make it possible to measure the social and ecological performance of a firm, besides the already known financial performance. Elkington his dimensions are similar to the first three identified by Dahlsrud. Dahlsrud (2008) also makes a distinction in a financial, social and environmental pillar. The fourth and fifth dimension of Dahlsrud are more or less also incorporated in the three p's of the Triple Bottom Line. According to the Triple Bottom Line, firms have to balance the three elements of profit, people and planet in order to provide sustainable development for all stakeholders involved (fourth dimension). Firms do not merely operate according to rules or laws set within a specific context, but they rely on their own input based on their values and beliefs (fifth dimension).

## **2.2 Stakeholder theory**

As has been stated in the previous section, CSR is about the socially responsible behavior of the firm towards its stakeholders. This raises the question what or who these stakeholders are. In his widely cited work, Freeman (1984) concludes that firms should always take into account the stakeholders which affect the firm or are affected by the firm, but

he lacks to provide a clear framework on the identification of these stakeholders. A theory, that can separate stakeholders from non-stakeholders, is needed (Mitchell et al., 1997). Based on three constructs, power, legitimacy, and urgency, Mitchell et al. provide a framework which makes it possible to map stakeholders (1997). Power is about the relationship between two social actors in which one actor gets the other actor to do something, that the other actor would not have done otherwise. Legitimacy is about the assumption that an entity its actions are appropriate according to the norms, values, and beliefs of a social system. At last, urgency is about the degree to which the claims of stakeholders call for instant action. These three constructs determine the stakeholders' salience, which is the degree to which managers give priority to competing claims of stakeholders.

Stakeholders exert pressures on firms, both internally and externally (Sones et al., 2009; Vazquez-Carrasco & Lopez-Perez, 2013). These pressures influence a firm its CSR activity. Answering to these pressures might be beneficial in a competitive environment (Kassinis & Vafeas, 2006). Linking stakeholder theory to CSR, it can be concluded that internal and external stakeholders, for example employees, local communities and NGOs, exert pressures on a firm in the shape of three dimensions, namely economic, social and environmental. With implementing CSR in its operations, companies should consider, according to stakeholder theory, all relevant stakeholders which are effected by their businesses. A company has responsibilities towards certain stakeholders, such as customers, the environment and the local community. These responsibilities are translated into certain practices that should account for CSR (Öberseder et al., 2013). However, the responsibilities that SMEs experience differ across industries, since SMEs active in different industries have to take into account a different set of stakeholders (Kechiche & Soparnot, 2012). Thus, the central question of this thesis is how these drivers for CSR differ across industries.

## **2.3 CSR practices**

To account for CSR in a firms its operations, management can decide to implement certain practices to maximize the positive impacts of the firms' operations on society. Society has commercial, ethical and legal expectations that firms should meet or even exceed (Jamali & Mirshak, 2007). Based on the Triple Bottom Line, business practices can be defined as CSR practices in case they address and complement at least one of the three identified constructs profit, people and planet. The CSR literature suggests that one can conclude that it

lacks a uniform set of CSR practices across all firms and industries. However, one can find a high consensus on the identified CSR practices in different studies.

For instance, Esrock and Leichty (1998) have identified 14 distinct areas in which CSR practices can be categorized. Based on their sample that consists out of Fortune 500 companies, they conclude that practices focused on community involvement, environmental improvement and education were most frequently implemented in their businesses. Planken et al. (2013) identified 6 practices or initiatives that firms can implement to address CSR. These practices are community projects, environmental/ecological initiatives, donations to charities, improving working conditions, sponsoring, and engaging in responsible business practice. This distinction of CSR practices is similar to the one made by Kavitha and Anita (2011). According to their CSR literature review, the most widely implemented practices are practices concerning the environment, supply chain management, hiring practices, community relations, internal management or corporate governance, and donations to charities. In a study on Portuguese SMEs, Santos (2011) makes a distinction between internal oriented and external oriented CSR practices. Santos concludes that the most widely used internal oriented CSR practices are workplace healthcare provisions for employees, equal opportunities for employees, and the arrangement of internal meetings involving all employees. The most widely used external oriented CSR practices are recycling, separation of wastes, awarding donations, and sponsorships of sporting events.

Wrapping this up, it can be concluded that there is a wide variety of CSR practices reported in academic literature. However, all these practices can be roughly categorized into two categories, namely environmental practices and social practices. These social practices, in turn, can be categorized in two categories as well since these practices are aimed at either internal stakeholders (employees) or external stakeholders (society). This leaves the question what moves SMEs to implement these CSR practices, which is more broadly discussed in the next section.

## **2.4 SMEs and CSR**

As indicated before, academic literature on SMEs describing why they implement CSR practices in their businesses is rather scarce (Murillo & Lozano, 2006; Morsing & Perrini, 2009; Russo & Perrini, 2010). Much has been written linking CSR practices to firms, but the emphasis of linking CSR to a firm its business has always been on large firms, while the relationship between CSR and SMEs is rather underexposed (Russo & Perrini, 2010).

However, a few authors have conducted research analyzing why and how SMEs implement CSR practices in their businesses, and how this differs from large organizations.

For example, Perrini et al. (2007) conclude that large companies have a higher chance of meeting the requirements of relevant stakeholders through the use of formal and specific CSR strategies, than SMEs do. Based on a sample consisting out of Italian firms only, they conclude that SMEs serve a different set of stakeholders compared to large firms. Since large firms are more aware of the variance in stakeholders they serve with their businesses, they are more likely to address the pressures coming from environmental issues, employment and local communities. On the other hand, SMEs seem to show more willingness to behave responsible along the supply chain. Perrini et al. (2007) conclude that the larger the size of the firm, the more formal CSR strategies they implement in their businesses. However, one should be careful generalizing these results because of the uniformity of the sample used in the research. Also in another research based on Italian firms only, Perrini (2006) identified two main types of SMEs which are most likely to incorporate CSR practices. First, firms in which the owners have a strong focus on increasing the margins of profitability tend to adopt CSR practices. Second, firms that are highly involved in their social and economic context also tend to implement more CSR practices. Perrini concludes that size is not the only factor which distinguishes SMEs from large firms. Other factors as the industry it operates in, profit orientation, its domestic context, legal form, and institutional structures also differ between SMEs and large firms (2006).

Graafland et al. (2003) have conducted a research using a sample of Dutch firms only, to see whether there are systematic differences between small and large sized firms in using instruments and practices to capture ethical behavior in their businesses. According to the authors, these differences seem to be logical. Large firms receive more public and media attention, which might be an incentive to act more responsible, thus implementing more CSR practices than SMEs do. Also, because large firms tend to have a larger scale than SMEs do, the costs they face implementing CSR practices is relatively smaller. Finally, it is hypothesized that small firms face more competitiveness in the markets where they operate, which means that the price differential, a result of the implementation of CSR practices, might be of more importance than in a less competitive environment where large firms operate in. Based on their results, Graafland et al. (2003) conclude that large firms make more use of CSR-practices than SMEs do. Instruments, such as a code of conduct, social handbooks or ethical training, are significantly used more in large firms than in SMEs. SMEs are less

familiar with these instruments, or reject these instruments because they are perceived to be useless. However, the authors suggest that more research has to be conducted on why these instruments are considered as useless

According to a literature review by Vazquez-Carrasco and Lopez-Perez (2013) on CSR activity in SMEs, CSR activity is influenced by both internal and external drivers. They argue that internal drivers have more influence on CSR activity in SMEs than external drivers do. The most important internal drivers are the values that SME owners have concerning ethics (Murillo & Lozano, 2006). These values on ethics are translated as 'doing the right thing', and 'having the responsibility to do what you can'. This is not primarily focused on making contributions to society, but more on having the feeling of a certain responsibility towards the employees in the organization that goes beyond what the law imposes. Important external drivers are for instance legislation and pressures coming from customers (Spence & Lozano, 2000).

Looking more closely into the drivers that influence CSR activity in SMEs and how these differ between sectors, Vives (2006) identified three components on which SMEs base their CSR practices. These components are internal responsibility, external responsibility and environmental responsibility. Internal responsibility covers responsible behavior, both socially and environmentally, towards suppliers and employees within the organization. External responsibility covers behavior towards the development of the local community. Finally, environmental responsibility covers behavior which is focused on reducing the environmental footprint of an organization its operations. In his research, Vives also made a comparison between sectors in which he concluded that SMEs in the manufacturing industry show a higher commitment to engaging in CSR activity than SMEs in the commercial and services sector do. However, his research was performed on SMEs located in developing Latin-American countries. CSR activity in developing countries shows strong differences in comparison to CSR activity in developed countries, like the Netherlands on which this thesis is focused (Jamali & Mirshak, 2007).

In a study on Italian SMEs, Coppa and Sriramesh (2013) identified several drivers that influence the CSR activity of these SMEs. According to their results, peer group influence seems to be the most influential driver. SMEs in Italy tend to be in a web having close relationships with other organizations. Through word-of-mouth circulation and cooperative innovation among SMEs in this web, CSR activity is strongly stimulated. Furthermore, other



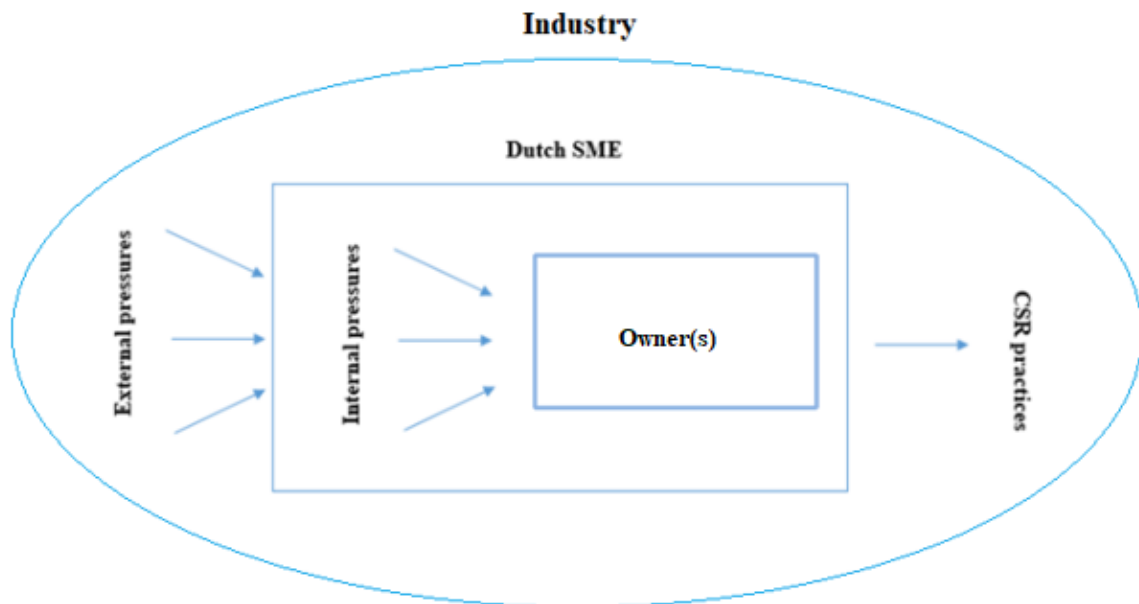
important drivers are pressures from clients, the involvement of youth, and the government. It seems that SMEs are usually dependent on a small selection of customers, which means that these customers have more control on the operations of an SME than they would have in comparison to a large company. Since social commitment has more value to youth than elderly, younger people tend to have a stronger interest in adopting CSR practices. The government could reduce bureaucracy and provide certain incentives that support CSR activity. On the other hand, the authors conclude that mass media and NGOs are, in contrast to CSR activity among large companies, of less influence on SMEs. However, they dedicate that finding to the fact that Italian journalism is less developed than in Northern European countries, and is merely focused on large companies (Coppa & Sriramesh, 2013).

Although there can be observed an increase of CSR activity in SMEs, there are also obstacles which allow them to do so (Kechiche & Soparnot, 2012). For instance, directors of SMEs fail to recognize the potential value CSR can have for their businesses. These directors tend to be involved strongly in the daily operations within their organization, so they lack the time to concentrate on social and environmental issues that go beyond direct financial returns. Also, some SME directors are simply unfamiliar with the concept of CSR at all, despite the large amount of initiatives to create more awareness on CSR among SMEs. Furthermore, SMEs might lack the organizational capacity, in terms of people, financial resources, and a suitable infrastructure, to implement CSR practices. Finally, SMEs might be hindered in implementing CSR practices because of social and environmental legislation, which is considered to be complex and rigid in their procedures.

## **2.5 Conceptual framework**

By linking all previously discussed concepts, a conceptual framework that forms as a basis of this thesis can be developed. It has been argued before that SMEs are usually managed by owners of the firm (Walker & Brown, 2004; Gilmore et al., 2001; Perrini et al., 2007; O'Regan et al., 2005). Thus, decisions within the SME are usually made by the owners. The owners of an SME are affected by both external and internal pressures coming from the stakeholders of the SME (Sones et al., 2009; Vazquez-Carrasco & Lopez-Perez, 2013), and to answer to these pressures SMEs implement certain CSR practices. According to Kechiche and Soparnot (2012), the stakeholders and the pressures they exert might differ in context, namely the industry the SME operates in. There has been performed research on what these pressures, which form the key drivers for SMEs to base their CSR practices on, might be but it is

unknown how these differ across sectors. This is the gap that is ought to be filled with this research. To make this conceptual framework more convenient to grasp, a graphical representation is provided in Figure 1:



*Figure 1: Conceptual framework*

## 2.6 Sub-questions

In order to give a structured answer to the research question of this thesis, several sub-questions are formulated. These sub-questions are based on the theoretical framework previously provided. In this section, the sub-questions and why they are relevant for this thesis, are discussed briefly.

### *1. What does the concept of CSR mean to Dutch SMEs?*

This question is relevant, since CSR is such a broad concept. Firms might have difficulties in giving shape to the concept of CSR (Jenkins, 2006). In order to identify pressures concerning the field of CSR, it has to be understood what the meaning of CSR is to SMEs. In case SMEs perceive the concept of CSR in a significantly different way than the researcher does, the validity of this research becomes doubtful (see chapter 3).

### *2. How do CSR practices of Dutch SMEs differ across industries?*

In order to understand what drives Dutch SMEs to implement CSR practices, one should know first what kind of CSR activity these SMEs engage in. After these practices have been

identified, it can be researched what the underlying thought in implementing these practices is.

*3. How do internal drivers, that lead to implementing CSR practices within Dutch SMEs, differ across industries?*

Although the organizational structures of SMEs are significantly smaller than those of large firms (Brammer et al., 2012), there is still a variety of stakeholders within the firm that exert economic, social and ecological pressures on SMEs. This question focuses on what these internal drivers are and how they differ between the agricultural, business-to-business manufacturing, and construction industry.

*4. How do external drivers, that lead to implementing CSR practices within Dutch SMEs, differ across industries?*

SMEs have to cope with a significantly different environment than large firms do. They tend to do business on a more local level, they are more flexible and they have personal relationships with their external stakeholders. Furthermore, in different industries, some of these pressures might be of more importance than in other industries, or not even matter at all. Thus, this question focuses on what the external drivers are and how they differ between the agricultural, business-to-business manufacturing, and construction industry.

### **Chapter 3. Methodology**

In this chapter the methodological choices concerning the way of conducting research are discussed. At first, the research method and strategy are explained. In this section, arguments for chosen instruments of measurement are provided, and the way data is collected and managed is discussed. Hereafter, data analysis is discussed. The final sections give arguments on how the quality of the research is guaranteed and provide some explanation on the ethics of research.

#### **3.1 Research method and strategy**

The aim of this thesis is to describe what moves SMEs to implement CSR practices in their businesses and how this differs across multiple industries. Thus, this research is focused on the description of certain phenomena. Therefore, it can be concluded that this thesis is of descriptive nature (Boeije, 2012). In chapter two, the theoretical framework, it has been concluded that there is a gap in knowledge on how SMEs deal with demands coming from the field of CSR. With identifying the key drivers on which SMEs shape their CSR practices and instruments, and the way these key drivers differ across industries, the goal of this research is to provide knowledge in this field of study. Based on this goal, an approach of grounded theory methods suits best. According to Charmaz (1996), grounded theory methods “are a logically consistent set of data collection and analytic procedures aimed to develop theory” (1996, p.27). Since theory on the relationship between SMEs and CSR is scarce, especially in the context of the Netherlands, a theoretical framework on which the research is based lacks. Instead, explanations and theory are derived from the data itself (Barbour, 2001). Starting off with an inductive approach, individual entities are analyzed in order to develop abstract conceptual categories. With categorizing the data into several abstract concepts, one is able to discover possible patterns and relationships.

The grounded theory approach is a typical form of qualitative research (Charmaz, 1996). This research is focused on the collection and analysis of linguistic material, in order to draw conclusions on a certain social phenomenon. This also means that the research is qualitative of nature (Bleijenbergh, 2013). Data was collected using interviews, which were transcribed in order to analyze them. Using interviews and transcripts as empirical material is yet another factor that determines that this research is qualitative of nature (Charmaz, 1996). Data collection, as in the research instrument and its procedures, is more broadly discussed the next section.

### **3.2 Data collection (instrument and procedures) and management**

The data is collected by conducting semi-structured interviews with representatives from multiple Dutch SMEs. The interviews are semi-structured, since a questionnaire was designed upfront. This way, certain information which was needed to form an answer on the sub-questions was definitely gathered. However, the interviewer also had the opportunity to dive deeper into certain aspects which he might have considered relevant (Bleijenbergh, 2013). The interviews were recorded using two mobile phones. This way, it was assured that the interview was fully recorded, in case some technical issue might have occurred concerning one of the recording devices. The recorded fragments were later transcribed using the software 'Transcribe' of Wreally. It turned out that the answers from the interviews were sufficient in forming an answer to the sub-questions.

The interview protocol, included in Appendix 1 was developed according to the sub-questions. By ordering the interview questions based on the sub-questions, analyzing the data turned out to be more straightforward, since the data obtained was already matched to the sub-question it attempted to answer. Thus, the interview protocol contained questions which were focused on how SMEs perceive CSR and what their opinion is on this concept, what kind of CSR activity they engage in, and what the internal and external drivers are that influence them to engage in CSR activity.

The data was collected after the interview protocol was tested and considered to be sufficient. All targeted respondents which fitted the requirements (see section Sample), were approached by a telephone call or an e-mail. After the agreement of the respondents to participate in the interview, the interviews were carried out one-on-one, on a location which suited the respondents. The procedure of data collection was finished by the time saturation occurred (see section 3.3 Sample).

The data, in the form of transcripts, is stored on hard drive, several USB-sticks, and in the cloud. This way, it is guaranteed that the data is always accessible in case something might go wrong with one of the storage devices. Also by storing the data in the cloud, the researcher had access to the data no matter where he might have been. This gave the researcher the freedom to analyze the data at any point and place in time. The cloud that was used is Dropbox. Dropbox ensures that the data is encrypted according to the 256-bits Advanced Encryption Standard. By using several sources of data storing, long-term archiving is guaranteed.

### 3.3 Sample

The sampling methods used in this research are the methods of purposive sampling and snowball sampling. Most of the respondents in the sample were selected using the first mentioned method, but some were also suggested by the respondents themselves. The purposive sampling method entails that respondents were chosen in such a way that it was most likely that certain data was obtained. Thus, some respondents were chosen upfront based on their information richness (Yin, 2015). The choice of respondents depends on several criteria. Firstly, the sample consists of representatives from Dutch firms only, because this research merely wants to draw conclusions based on organizations from the Netherlands. Second, the respondents had to be representatives of small and medium-sized firms active in one of the three researched industries only. Criteria for being qualified as an SME have already been provided in chapter 1. As a third and final criterion, the respondents had to occupy a certain position within the firm. Since the owners usually tend to run the business in the SME (Walker & Brown, 2004; Gilmore et al., 2001; Perrini et al., 2007; O'Regan et al., 2005), the respondents selected were owners of these SMEs. Some of the respondents were also selected based on the snowball sampling method. This method entails that respondents are selected based on referrals made by previously selected respondents (Biernacki & Waldorf, 1981). However, the selected respondents based on this method had to meet the previously mentioned criteria as well

The size of the sample was decided upon the criterion of saturation. The intention of this research is to provide insights into a certain phenomenon, being cautious on drawing any references to a larger population. Therefore, there were no requirements about a minimum size of the sample (Yin, 2015). Citing Glaser & Strauss, saturation means the following:

*“The criterion for judging when to stop sampling the different groups pertinent to a category is the category’s theoretical saturation. Saturation means that no additional data are being found whereby the sociologist can develop properties of the category” (1967, p.61; Saunders et al., 2018)*

The state of saturation, using the approach of grounded theory, is reached in case no new codes will emerge from new data obtained (Saunders et al., 2018). Saturation occurred around having conducted 15 interviews. At this stage, the search for new respondents was stopped. However, there was still one interview planned which was conducted shortly afterwards.

Eventually, the sample consists out of 16 respondents. Six of the respondents are active in the construction industry, five in the business-to-business manufacturing industry, and another five in the agricultural industry. More detailed specifications of the respondents in the sample are represented in Appendix 2.

### **3.4 Data analysis**

In analyzing the obtained data, an inductive approach was used, since conclusions are drawn based upon the obtained empirical material. The analysis was not guided by theoretical expectations which were identified upfront (Bleijenbergh, 2013). The data, that consists out of transcribed audio files, was coded using the qualitative analysis software ATLAS ti 8.

The coding of the data was performed using the widely accepted coding paradigm of Strauss & Corbin (1998). At a first stage, the data was coded using open coding. In this stage, pieces of information that fit together are coded based on the meaning the information gives, without using existing theory. At the second stage, axial coding, relationships among the codes obtained in the first stage were categorized. Codes that show a strong resemblance with one another were connected. In the final stage of this coding paradigm, selective coding, the entire dataset is captured in a few core variables. Linking all the codes together resulted in the data structure depicted in Appendix 3. The results of how the data is coded are more broadly discussed in the next chapter.

### **3.5 Quality of research**

To maintain the quality of the research at a decent level, several criteria have to be considered while performing the empirical fieldwork (Bleijenbergh, 2013; Boeije, 2012; Finfgeld-Connett, 2010). In this section, the criteria validity, reliability, transferability and verifiability are being discussed. First, validity reflects the criterion that the researcher measures what he or she actually wants to measure (Boeije, 2012). By conducting interviews with SME owners, which usually run the business of an SME (Walker & Brown, 2004; Gilmore et al., 2001; Perrini et al., 2007; O'Regan et al., 2005), a clean insight in how SMEs perceive CSR and why SMEs implement CSR in their businesses is obtained. As indicated before, the process of making decisions within SMEs is strongly influenced by the owners of these SMEs (O'Regan et al., 2005). Due to the relative small size and limited capacity of resources, decisions concerning the SMEs' operations are concentrated within ownership. Since this research is focused on Dutch firms specifically, all respondents are representatives

of Dutch firms, operating both domestically and abroad its own country borders. Furthermore, validity is strengthened by including the procedure of member checking in the research. In case the respondents wished so, the transcripts were sent to the respondents to give them the opportunity to edit or clarify their own words. This way, the researcher guaranteed that the information gathered during an interview is correct and well understood (Carlson, 2010).

The criterion of reliability focuses on avoiding accidental or unsystematic errors in observations (Boeije, 2012). To maintain a certain level of reliability, one has to make sure the instrument of measurement, which were the semi-structured interviews, was tested before being used in gathering data. The questions in the interview protocol had to be understandable for any entity participating in this research. Therefore, the interview protocol was tested on a close relative of the researcher, to make sure all questions were understood well. This relative also runs a business qualified as an SME himself. After testing the pilot interview protocol, some questions were altered and extra questions were included. However, because the interviews are semi-structured of nature, there might rise some problems concerning reliability. There have been some situations during the interview, where the researcher had to deviate from the interview protocol. Therefore, it might be problematic to replicate the interviews, affecting reliability in a negative way (Bleijenbergh, 2013).

The criterion of transferability refers to the extent to which the obtained results can be transferred to another context with different social settings (Fingeld-Connett, 2010). The feasibility of this criterion might become problematic in this research, since the sample size is rather small because of the qualitative nature of this study. Furthermore, the context is rather specific with Dutch SMEs in only three industries. Thus, it is questionable whether the results obtained can be transferred to other industries or different countries. However, since this research is focused on exploring new theory, this criterion is of less relevance. The goal of this research is not focused on providing generally applicable conclusions, which covers one of the main criteria for transferability.

Finally, the criterion of verifiability refers to providing insights on all methodological choices that were made and how data was obtained during the research (Bleijenbergh, 2013). To guarantee verifiability, the interviews were recorded and transcribed. Also, in chapter 4, the performing of the analysis is discussed extensively.



### **3.6 Research ethics**

In doing research, it is of major importance that possible ethical and moral issues are taken into account (Bryman, 2012). Therefore, a few precautions are considered concerning anonymity, confidentiality and informed consent (Sanjari et al., 2014). To maintain a good relationship with the respondents, anonymity and confidentiality must be guaranteed. Concerning anonymity, the names of the organizations represented by the respondents are omitted. Instead, respondents in the construction industry are referred to as ‘C(number respondent)’, respondents in the business-to-business manufacturing industry as ‘M(number respondent)’, and respondents in the agricultural industry as ‘A(number respondent)’. Concerning confidentiality, it is important that respondents are told upfront to whom the given information is published, and for which purpose the information is used. No false promises were made and the respondents are aware who has access to the information provided by them.

Also, as mentioned before, the respondents had the opportunity to look into the transcripts. In this way, false or undesirable information could have been adjusted or deleted. By maintaining a good relationship with the respondents, it is more likely that the respondents feel comfortable in sharing information (Boeije, 2012). In case a respondent wished to withdraw from the research afterwards, both the recording and transcript of the interview would have been destroyed. One of the respondents made some adjustments to the transcript of his interview. However, these adjustments were only made concerning some names the respondent mentioned in the interview. The data relevant for the analysis was not adjusted.

Furthermore, there might be some issues concerning copyrights on the data. Recorded interviews hold two sets of copyrights, one on the spoken words and one on the recording itself. The researcher has the copyright on the recordings, but the interviewee has the copyrights on the spoken words themselves (Parry & Mauthner, 2004). However, the researcher was allowed to use the data for purposes explained upfront to the respondent. It was clarified to the respondents what the purpose of using the data gathered during the interviews was. All of the respondents agreed to the possibility that their spoken words could be used in this research.

Finally, by the time this thesis is published, all respondents will receive a digital copy by e-mail.

## Chapter 4. Results

In this chapter the results of the research are presented. In the first section, the codebook and dataset are being discussed. It gives insights into the frequencies of the most used codes and it shows how the codebook is developed based on the three stages of coding, which are open, axial, and selective coding. In the following sections, the results based on the analysis of the codebook are described. These results are presented by answering the previously formulated sub-questions.

### 4.1 Codebook and dataset

After the interviews had been transcribed, the transcripts were coded starting off with the stage of open coding. As the number of interviews increased, it became clear that the amount of new codes started to decline. After interviewing around 15 SMEs operating in three different industries, new information and codes became fully saturated. Based on 16 interviews, around 160 unique codes emerged. Taking it to the next stage of axial coding, at first, identical codes with a slightly different formulation were re-coded under one code. Performing this process among all transcripts, 143 more or less unique codes were developed.

For clarity, only the 20 most frequently used codes are presented here. The full coding scheme is included in the data structure in Appendix 3.

The top-20 of codes, as shown in Table 2, contain codes which are all used more than 30 times. The most frequently used code, ‘Media attention and public opinion’, is used in pieces of information which are about the attention organizations receive from the media and the public. ‘Responsibility towards local community’ is about pieces of text

Media attention and public opinion	88
Responsibility towards local comm...	87
Agriculture under magnifying glass	63
Questioning the law	62
Core of company business	62
Giving disadvantaged people a cha...	55
Strong local connection	52
Profits as prerequisite for CSR	51
Responsibility towards workers	50
Sponsoring	49
Critical towards CSR	44
Personal belief	41
Circular economy	38
Not striving for profit maximization	37
External demand for sustainable op...	37
Informing the people	37
Informal operations	35
Working conditions	35
Nowadays compared to the past	32
Company size	32

Table 2: Top-20 frequently used codes  
Source: Atlas 8

organizations feel a certain responsibility towards their local community. The third most frequently used code ‘Agriculture under magnifying glass’ is about pieces of text which contains information about outside world attention agricultural businesses specifically experience. Other codes, as for instance ‘Sponsoring’, ‘Circular economy’, and ‘Working conditions’ are attached to pieces of text which contain information about the different CSR practices the interviewed SMEs undertake. As another example, ‘Giving disadvantaged people a chance’, ‘Strong local connection’, ‘Personal belief’, and ‘External demand for sustainable operations’ are attached to pieces of text which contain information on why organizations implement certain CSR practices.

During the stage of axial coding, which was performed interchangeably with the stages of open and selective coding, all codes were compared with one another in order to structure them into certain categories. Codes that contain similarities were grouped into a category. Some of the codes, for instance ‘Giving disadvantaged people a chance’, are mapped into more than one category, which are the categories ‘CSR practices’ and ‘Employees within organization’ in this example. This process has led to the development of 16 categories, which are depicted in Table 3. The number behind each of the categories represent the amount of codes which are categorized in that certain category. For instance the category ‘CSR practices’ contains all codes

Colleagues and competitors (6)
Community (17)
CSR practices (18)
Customers (14)
Employees within organization (9)
Entrepreneurial characteristics (14)
Financial considerations (17)
General organization information (14)
Influence on environment (10)
Meaning of CSR (8)
Negative sides of CSR (11)
Organizational characteristics (17)
Politics and the law (18)
Role of media and public opinion (16)
Suppliers (5)
Time (5)

Table 3: Categories after axial coding  
Source: Atlas 8

which are connected to the different CSR practices mentioned among the 16 interviews. Concluding on the analysis of these categories, it shows that both categories ‘CSR practices’ and ‘Politics and the law’ contain the highest number of codes.

In the stage of selective coding, the entire dataset of codes and categories, apart from some exceptions, is caught in a small set of core variables, which in turn can be used to form a model. These variables show a strong resemblance with the conceptual framework presented in chapter 2. The core variables identified are ‘Internal stakeholders’, ‘External stakeholders’, ‘Organization’, ‘Value of CSR’, and ‘CSR practices’. An organization is subject to both internal and external stakeholders, that exert pressures on the organization. These pressures shape an organization its view on CSR and the value it denotes to it. The value CSR has to an

organization is translated into certain CSR practices it has implemented. Some codes, which are categorized under ‘Time’, are excluded out of the core variables, since they are more of a context-wise variable, a variable which is not included in the scope of this study.

## **4.2 Answering the sub-questions**

The results of the research conducted are presented based on the sub-questions formulated earlier in this thesis. The sub-questions are answered separately. Based on these answers, a conclusion on the research question of this thesis is drawn in chapter 5. As a reminder, the sub-questions are formulated as follows:

1. *What does the concept of CSR mean to Dutch SMEs?*
2. *How do CSR practices of Dutch SMEs differ across industries?*
3. *How do internal drivers, that lead to implementing CSR practices within Dutch SMEs, differ across industries?*
4. *How do external drivers, that lead to implementing CSR practices within Dutch SMEs, differ across industries?*

### **4.2.1 What does the concept of CSR mean to Dutch SMEs?**

Based on the analysis of 16 conducted interviews, it turns out that the concept of CSR itself is interpreted in several ways. However, according to most of the respondents, 14 out of 16, CSR is mainly about being good to the people and/or the environment. It is remarkable that emphasis on either one of these constructs differs between industries, according to the data. For instance, 4 out of 5 agricultural organizations stress the importance of the environment when discussing the concept of CSR. Respondent A4:

*“CSR to me is about taking good care of your animals (..), your land and being aware of your energy consumption.”*

As another example, respondent A5 states:

*“CSR is about trying to fit in with the environment. You cannot solve every problem you create in that environment, but of course you will try to be aware of the function you have in that environment.”*

Looking at business-to-business manufacturing organizations, it becomes clear that the dimension of people is more emphasized. When being asked what CSR means to them, all

organizations categorized in this industry state that being good to the people is one of the main pillars. CSR is, besides minimizing your environmental footprint, having the responsibility that the people within your organization are able to work under good primary and secondary working conditions. Respondent M5:

*“To me, CSR is about changing the things which you can influence the quickest. (..) Your workers are close to your organization and therefore able to be changed, so you can improve that by schooling your people and helping them to get a diploma.”*

Respondent M3 agrees on this point:

*“I think CSR also means that you have to take care of the people in here. If you have the opportunity, you should also do something socially outside the organization.”*

Thus, besides the importance of the organization its role on the environment, CSR is also about being good the people, in- and outside the organization. A greater emphasis on the dimension of people might be because of the fact that the interviewed business-to-business manufacturing organizations are larger in size of staff than the agricultural organizations do, which are usually family businesses with only few or no external workers in the organization at all.

Organizations operating in the construction industry show the lowest consensus in their idea on the concept of CSR. Only 2 out of 6 respondents state clearly that CSR is about the responsibility an organization has to both the environment and the people, similar to the common idea found among organizations in the business-to-business manufacturing industry. As respondent C2 states:

*“Well, to us CSR is, at first, making sure that our people can do their work properly under good conditions (..), and point two: the properly dispose of trash (..), working circularly (..), operating in a green way.”*

Other respondents state that they have some difficulty in clarifying the idea of CSR. For instance, respondent C4 states :

*“I only have little knowledge on what CSR means, so it is challenging to give my opinion on it, but I would say it has something to do with acting responsible towards the environment and doing something for the community.”*

Also respondent C6 finds it hard to give a clear definition:

*“Well yes, what does CSR mean... I think we want do something that has value, it is not all about maximizing profits.”*

Thus, based on the results, it can be concluded that the meaning on the concept of CSR is less uniform among organizations in the construction industry, than those in the agricultural and business-to-business manufacturing industry.

According to 2 of the 16 respondents, CSR means acting in accordance to the law. Being responsible is captured in the rules and laws which are set in the Netherlands. As respondent A1 puts it:

*“If you stick to the rules, then it is responsible enough in my opinion.”*

Respondent C1 illustrates:

*“We have to follow collective labor agreements and other things which are considered usual in the Netherlands (..), that is socially responsible.”*

Only one single interviewee, respondent A3, literally named the three Ps, people, planet and profit, as the definition of CSR. It is remarkable that this respondent acknowledged that she became familiar with this definition after it was taught to her in school. Based on the data obtained, it seems that most of the respondents are not really familiar with regular definitions of CSR used in academic literature. According to respondent C4, this might have something to do with level of education:

*“It might be dangerous what I am about to say, but I notice that people which have followed a higher level of education, not all of them, are more familiar with CSR. If you look at lower levels of education, people tend to have a lower interest in subjects such as CSR.”*

#### **4.2.2 How do CSR practices of Dutch SMEs differ across industries?**

The obtained data of the 16 interviews shows that Dutch SMEs have incorporated a wide variety of CSR practices. Some of these CSR practices are implemented across all researched industries, and some of them seem to be more industry specific. Since naming all of the CSR practices is highly page consuming and irrelevant, only the most important similarities and differences are discussed. However, a clear overview of the mentioned CSR practices across all industries is included in Table 4.

Construction	B2B manufacturing	Agricultural
<ul style="list-style-type: none"> <li>• Sponsorships of community and sports events</li> <li>• Sustainable waste management</li> <li>• Schooling of employees on voluntary basis</li> <li>• Investing in circular economy</li> <li>• Conscious power usage (e.g. installing LED lighting)</li> </ul>	<ul style="list-style-type: none"> <li>• Sponsorships of community and sports events</li> <li>• Sustainable waste management</li> <li>• Investing in solar panels</li> <li>• Supporting charities (both domestic and abroad)</li> <li>• Investing in circular economy</li> <li>• Investing in development of more sustainable products</li> <li>• Schooling of employees on voluntary basis</li> <li>• Developing supplier codes of conduct</li> <li>• Hiring people with a distance to the labor market (e.g. asylum status holders)</li> <li>• Conscious power usage (e.g. installing LED lighting)</li> </ul>	<ul style="list-style-type: none"> <li>• Investing in sustainable livestock sheds</li> <li>• Investing in solar panels</li> <li>• Schooling of children on voluntary basis</li> <li>• Investing in close relationships with local residents</li> <li>• Sustainable waste management</li> <li>• Conscious power usage (e.g. installing LED lighting)</li> </ul>

Table 4: CSR practices implemented across different industries

Looking at the most common similarities, it stands out that most respondents are consciously trying to reduce their environmental footprint. For instance, investing in solar panels is becoming a popular alternative in trying to operate more sustainable. 4 out of 16 respondents, over different industries, state that they already have installed solar panels, and 4 other respondents are seriously considering investing in them. The manufacturing organization M2 clarifies:

*“With investing in solar panels, besides gaining some tax benefits, we can contribute to a cleaner world. That is something I consider to be important.”*

Also agricultural organization A4 is planning on investing in this green solution:

*“Soon, we will move forward to a new cowshed, fully integrated with the newest solar panels which will catch the solar light on both sides.”*

Besides investing in relatively expensive solar panels, SMEs from all researched industries also look at more cheaper sustainable options. The most frequently mentioned examples are the installment of LED lighting and sustainable waste management. Almost all of the SMEs in the construction and business-to-business manufacturing industry state that they are consciously trying to properly dispose waste, even in case it is more expensive than regular ways of waste disposal. Respondent M1 explains:

*“We have to deal with copious amounts of cardboard and other packaging material and we could just throw everything into one single bin, but we try to separate the waste. It will be more time consuming, but still we have the common believe that we should not be doing that. (..) Thinking about the environment plays an important role in that case.”*

Looking more closely into industry specific CSR practices, it seems that SMEs in both the construction and business-to-business manufacturing industry show a certain resemblance. Apart from 2 SMEs in the construction industry, all of them engage in some form of sponsoring. Most of the sponsoring goes to local associations and unions. For instance, respondent C5 explains:

*“We sponsor quite a lot, I guess around 30 parties. This varies from the local carnival newspaper and the theater group, to the fanfare in which my wife participates”*

Besides local sponsoring, some of the SMEs also sponsor nationwide and even international charities, for instance respondent M4:

*“We do some sponsoring in the Alpe d’HuZes cycling course, the Hartstichting and Kankerfonds, just to help others.”*

Respondent M3 explains:

*“Sponsoring is mainly locally oriented, but we also do something abroad. We have a project in Guatemala, founded with a doctor who has worked here once, in which we have been sending money over for the last 10, maybe 15 years.”*

It turns out that sponsoring comes in the form of providing financial contributions, as well as providing other company resources such as materials and tools. Respondent M4:

*“Most of the sponsoring we do is not with money, but just materials. (..) For instance for the Zeskamp Someren, we have provided scaffolding pipes, power lines, you name it.”*



In the agricultural industry, it seems that sponsoring is not very common, since none of the respondents have explicitly stated that they engage in some form of sponsoring.

Other CSR practices which seem to be more industry specific are practices concerning working conditions within the organization. Especially the SMEs operating in the business-to-business manufacturing industry tend to have incorporated practices to improve working conditions. For instance, all of the respondents in this industry claim that there is space within the organization for employees to improve themselves to a higher level by participating in forms of schooling or obtaining certain certificates. On this matter, manufacturing SME M1 states:

*“Soon, 5 of my guys will be getting their trailer driving license. Not particularly in favor for the company, just to have it so they can drive a caravan later or whatever.”*

On schooling, respondent M5 explains:

*“We have a lot of employees who join our organization without any diploma, so that means we will help in schooling them. Not just for them to be able to produce a kitchen worktop as soon as possible, but they also get some sociology and math lessons. Some of them receive their first diploma in here.”*

Also 3 out of 6 SMEs in the construction industry state that they operate beyond the law concerning improving primary and secondary working conditions. For instance, respondent C3 clarifies that there is room for development within the organization:

*“In case one of your people wants to follow a certain course, and it is beneficial to our company in some way, then I will try to do everything I have in my power to make sure they can follow that course. (..) For instance a trailer driving license, how simple can it be, that is a one-day course, (..) I will give it to them as Christmas present.”*

Also concerning these practices, SMEs in the agricultural industry show low interest. Again, a cautious conclusion might be drawn that this is because of the family-owned character that all of the agricultural SMEs in this sample have, as has been explained before in section 4.2.1.

CSR practices which seem really specific for the agricultural industry have to do with the involvement of third parties into the organization. 4 out of 5 SMEs in this industry clarify that they try to inform the people by inviting them to their business. For instance, respondent A3 organizes excursions for school children to inform them about the industry in general:

*“In schools they have these projects about farms, (..) and they asked if they could do a tour in here, so we invited them. These kids had written down all kinds of questions and we answered those and gave them a tour around our farm.”*

Respondent A2 adds:

*“We want to show to the children and schools where our food is coming from. (..) School classes are coming over to inform them: this is the reality, this is how we take care of our animals, this is the way how milk is produced.”*

Besides informing children, agricultural SMEs also try to involve the local community living close to the farms. Respondent A5 clarifies:

*“Every year, we try to organize an open day and invite the people. Last spring, on a Saturday afternoon, we did a so-called ‘coffee at the farm’. (..) That was rather small. For this year, I want to organize a larger open day, (..) inform everyone with some advertising like: this day we have an open day, everyone is welcome to come take a look.”*

Finally, it should be mentioned that 2 of the 16 respondents state that they do not have any CSR practices implemented within their organization. It might not be a surprise that these are the respondents that believe that CSR is captured in following the law, mentioned in section 4.2.1.

#### **4.2.3 How do internal drivers, that lead to implementing CSR practices within Dutch SMEs, differ across industries?**

Based on the obtained data from the 16 interviews, several internal drivers, that lead Dutch SMEs to incorporate CSR in their businesses, have been identified. All of these drivers relate to aspects inside the organizational borders. Some of these drivers can be found across all researched industries, others seem to be more specific to one or two industries. All of these drivers and how they differ across industries are discussed in this section. Table 5 is included summarizing the identified internal drivers and for which industries they seem to be relevant.

Driver		Identified as driver for CSR activity in:		
		Construction	B2B manufacturing	Agricultural
<b>Personal belief/ethical values SME owner</b>	The extent to which SME owners believe that they have a certain responsibility towards stakeholders in ‘doing the right thing’; The extent to which SME owners experience a certain inner satisfaction in implementing CSR practices	+	+	+
<b>Financial capacity of SME</b>	The amount of available financial resources for implementing CSR practices	+	+	+
<b>Organizational size</b>	The amount of people an SME has employed.	+	+	
<b>Local connection of SME owner</b>	The way in which SME owners feel bonded with the local community the SMEs operate in	+	+	

Table 5: Internal drivers across different industries

A first driver that seems to be applicable to all researched industries is the personal belief of the entrepreneurs running the business. This personal belief, which is mentioned by 8 respondents over multiple industries, can be translated into different shapes. Firstly, several respondents argue that they feel the need to operate in the ‘right’ way or ‘do the right things’, simply because they believe that is the correct way to do things. For instance, respondent C6 explains on why they develop sustainable homes:

*“If you can contribute to a time that asks for more sustainable, gasless homes, which are equipped with all conveniences, (..) it feels really motivating. (..) You can contribute to the public housing issue and a better environment.”*

Secondly, some respondents argue that applying certain CSR solutions give them some kind of satisfaction. Respondent A2 explains on the installment of solar panels on his property:

*“Of course, it is a huge investment, (..) but when I start my computer in the morning, the first thing I check is how they are running. It is interesting, it is fun, but it also gives a ‘kick’.”*

As another example, respondent M1 clarifies on why he took care of an asylum status holder, who wanted to learn how to weld:

*“People ask me why I do that. Then I say: “Why would I not?” It makes me happy if I help him. (..) I guess it is my style of entrepreneuring.”*

Thus, based on these examples, it seems that the personal belief of decision-makers within the SME drives them to implement CSR practices.

A second driver is the financial capacity SMEs have. Based on the data, this driver also seems to influence CSR activity in all researched industries. 14 of the respondents acknowledge that their financial resources determine their involvement in CSR. Especially SMEs in the agricultural industry, which have to deal with a strong external demand for CSR, later explained in section 4.2.4, face struggles concerning their financial capacity. Respondent A4 explains:

*“Our turnover comes in waves. Sometimes you are above it, sometimes below it, but our dairy farm does not make huge profits. If that would have been the case, we could make quicker and better investments into our business. In that case, we would have had a new sustainable cowshed way before.”*

Respondent A3 agrees on this point and adds:

*“We barely get anything for our product, (..) while at the same time our animals need to have more space, they need to have more this and that...But the consumer will not pay more. The consumer chooses the cheapest option and that is what makes it hard.”*

Also in other industries, it turns out that profits have to be made in order to engage in CSR activity. For instance in the construction industry, respondent C2 elaborates on its interest in moving to operating circularly:

*“We recently started working on that, (..) but to be honest, the most important thing is that it will provide work for us. If it does not yield anything and it will cost us money, it will not continue for a long time.”*

Respondent M1 agrees on this point and argues:

*“If things go well you can be a bit more loosely on these things, but I insist, if you do not make profits, you cannot do these things.”*

Also respondent C3 stresses the importance of financial capacity to be able to engage in CSR activity and compares his limited resources to a large company in size and financial capacity:

*“I think it obstructs us more, because in a large company, in case they organize something, they have it organized for 100 or 200 people. (..) We have to do the same investment, more or less, for only a small group of people and we cannot do that. That investment can be too much for us sometimes.”*

These examples show that SMEs operating in all researched industries consider financial capacity an important driver in incorporating CSR practices.

A third driver is the size, in terms of employees, of the organization. This seems to be an important driver in both the construction and business-to-business manufacturing industry. Apart from SMEs in the agricultural industry, the results suggest that the bigger the size of the SME, the more SMEs feel the need to engage in CSR. Besides having more financial resources, which has been discussed before, relatively large companies have to take care of a larger amount of employees. As respondent M3 explains:

*“I employ around 60 people. (..) I think it is my job that, in case things are turning out well, I have to make sure the staff is doing well too. That is your duty, in my opinion.”*

Respondent M4, employing 30 people, which is relatively large in this sample, adds:

*“Of course, you have to make sure that your staff feels responsible and accepted. (..) You have to provide them with work they want to do and in which they can progress.”*

On the other hand, most of the relatively smaller SMEs in the construction and business-to-business manufacturing industry argue that they have less incentive to move towards CSR solutions. Respondent C4 explains:

*“I have some large companies as clients, (..) but way more small companies. Among those small companies, you do not hear that (CSR) very often, they are not into that. (..) I am the director, but I also have an active role in our showroom. Other tasks, such as CSR, become less relevant. (..) In case you have a larger company, there will be more people, more meetings, and then maybe someone will come up with the idea: Should we not be doing more about this?”*

Respondent C1 agrees on the point that a small company size leads to less CSR activity, but puts it in different words:

*“A large company can be dictating, they can demand certain things. We, as a small player, cannot do that. We have to conform ourselves to our suppliers and we do not have any influence in how they run their operations. I am convinced that we can do less in CSR, because we are just a small player.”*

Based on the data, it seems that the size of a company, in both the construction and business-to-business manufacturing industry, partly determines CSR activity. The bigger the size, the more people an organization has to take care of and the more resources they have at their disposal to implement CSR practices. The data shows that company size does not seem to be a driver of CSR activity in the agricultural industry. Four respondents clarify, although being relatively small players, that their small size does not influence their CSR activity. The reason behind this is the amount of attention they receive from the outside world. This is more broadly discussed in section 4.2.4.

A fourth and final driver is the strong connection SME owners have with the local community. Based on the data it can be concluded that this strong local connection is translated into the form of sponsoring. With the exception of one SME, all respondents who claimed they engage in some form of sponsorships, argue that their connection to the local community is the main reason to do this. Therefore, it seems that this is only a driver for CSR activity in the construction and business-to-business manufacturing industry. Most of the respondents that do some kind of sponsoring believe that they have a certain responsibility towards the local community. Remarkably enough, all of these respondents have their roots in the area where their organizations operate. Respondent C2 explains on this point:

*“We do some sponsoring, but we keep it close to us. (..) I am from this town so I sponsor the local youth, I sponsor the football club, I sponsor the field hockey club. (..) These are things that people commit themselves to voluntarily. Well then, as a local entrepreneur, I think I should contribute to that.”*

Respondent C5 has similar thoughts:

*“When you are familiar with certain people that do something, sponsoring becomes more obvious. (..) I think it is important that local associations exist.”*

Also respondent C5 agrees on this point by arguing the following about sponsoring:

*“I just think it is necessary, an association should be able to exist. They are facing hard times often anyway. The amount of volunteers, the people who commit themselves, declines. (..) I think it is important that, especially for the youth, it keeps on running. If we can contribute something to that, we are pleased to do so. (..) It does not have any benefits for me, it takes me some effort.”*

Also in the business-to-business manufacturing industry, a strong local connection explains their participation in sponsoring. Respondent M5 states:

*“In my opinion, the local community is the most important party, because it is quickest option to make progress. (..) One can do all kinds of initiatives in South Africa, Zimbabwe, China, or whatever, (..) but you can achieve a lot more within the local community.”*

Respondent M4 adds:

*“I have done some sponsoring in the local field hockey club. My daughters used to play there, so I thought that was a nice investment to do.”*

These examples clearly show that the strong local connection SME owners have, influences the SME its CSR activity, especially the practice of engaging in sponsorships.

#### **4.2.4 How do external drivers, that lead to implementing CSR practices within Dutch SMEs, differ across industries?**

Based on the obtained data from the 16 interviews, several external drivers, that lead Dutch SMEs to implement CSR in their businesses, have been identified. All of these drivers relate to aspects outside of the organizational borders. It seems that none of the identified drivers can be applied to all industries, at most to two different industries. All of these drivers and how they differ across industries are discussed in this section. Table 6 is included summarizing the identified external drivers and for which industries they seem to be relevant.

Driver		Identified as driver for CSR activity in:		
		Construction	B2B manufacturing	Agricultural
<b>Pressures from customers</b>	The extent to which customers demand social and sustainable solutions processed in the products provided by SMEs	+	+	
<b>Pressures from media and public opinion</b>	The extent to which media and public opinion expect that SMEs have implemented social and sustainable business practices		+	+
<b>Pressures from local community</b>	The extent to which local residents experience being affected by an SME its operations			+
<b>Pressures from legislation and politics</b>	The extent to which legislation and politicians desire that SMEs have implemented social and sustainable business practices		+	+

Table 6: External drivers across different industries

A first driver that can be identified is the pressure customers exert on SMEs. This driver is not mentioned that often in the interviews, but it can be found in both the construction industry and business-to-business manufacturing industry. For instance in the construction industry, 3 out of 6 respondents argue that they notice a higher demand for sustainable and social solutions coming from customers. This demand is not focused on having CSR practices implemented in the business itself, but more on the products SMEs deliver. As an example, customers ask for houses and buildings to be energy efficient and expect SMEs to think along in exploring the opportunities. Respondent C2, constructor in flat roofing systems, clarifies:

*“You can clearly see that housing associations, hospitals and such ask for sustainable options. (..) Think of these special green tiles, solar panels...”*

Respondent C3 also notices this shift to more sustainable solutions:

*“At the moment, we are building these holiday bungalows for this particular island, (..) and this island is aiming at becoming fully independent from gas within 5 years. We started thinking with them on new options, for instance these sustainable heat pumps.”*

Also in the business-to-business manufacturing industry, 2 of 5 SMEs experience more customer demand for CSR solutions. As respondent M4 states:



*“Our customers, which are big retailers, expect that we produce our products out of 100% recycled materials. (..) So at the moment, we use a lot of recycled materials.”*

Based on these examples, it seems that the pressure customers exert on SMEs is a relevant driver for CSR activity in both the construction and business-to-business manufacturing industry.

The second driver is the pressure that the media and public opinion exert on SMEs. This seems to be an important driver in the agricultural industry, and to a lesser extent in the business-to-business manufacturing industry. 4 out of 5 SMEs in the agricultural industry argue that they feel a strong pressure coming from the media and public opinion in such a way that it influences their CSR activity. According to the respondents, an important factor that might determine this pressure, is the fact that they work with living animals. Respondent A5 explains:

*“ I think that most people consider an animal to be a pet. You should not use an animal as a production factor, or in large groups.”*

This view frustrates the respondent:

*“I think we are treating our animals very well. (..) I guess that 85% of the population never has been on a farm.”*

Respondent A3 adds:

*“It is important for us that we create support within the community, (..) but we cannot reach the people in the city. They have their judgment ready, without ever coming here. They see all these things on television, so we will never reach them. I do not believe in that.”*

The respondents in the agricultural industry feel that the people are misinformed about agricultural businesses. They notice that the gap between agricultural life and the people is becoming bigger over time. Respondent A3 clarifies:

*“In the past, everyone used to have someone in their families who was a farmer. Nowadays, there are a lot of families where no one has any connection to the agricultural sector. (..) People are becoming more distant and do not even know where their food is coming from.”*

Because the agricultural industry gets a lot of negative attention in the media, the respondents feel the people are being misinformed. Respondent A3:

*“If you look at a medium such as Pauw, he has a lot of influence. (..) Just like Radar, or these other shows, they are very fixated on the agricultural sector, only to frame us in a negative way.”*

Because of this negative influence on the agricultural industry, SMEs in this sector feel the strong need to operate transparent, for instance by inviting the people to the farm, as noted in section 4.2.2. Also 2 of the respondents in the business-to-business manufacturing industry argue that media attention and public opinion influence their CSR activity. Respondent M4, producer of plastic packaging materials, states:

*“The media play a significant role. People are being misinformed. (..) It is always like: plastic is bad. They make these videos which are totally wrong, even in Nieuwsuur. A reporter there says that you cannot recycle plastics. Well, what are you talking about? It is easy to recycle plastic.”*

However, the media attention on these manufacturing SMEs might be the result of the fact that these companies are among the biggest players in their market. Respondent M5 explains:

*“Why we get all this media attention? Because we are the market leader in the Netherlands, that plays a role.”*

Thus, based on the obtained data, it can be concluded that media attention and public opinion seem to be an important driver for CSR activity in the agricultural industry, and to a lesser extent in the business-to-business manufacturing industry.

A third external driver that can be identified based on the data, is the pressure the local community exerts on an SME its way of doing business. Again, this driver seems to be of most importance to the agricultural industry. 4 out of 5 respondents declare that local residents have certain expectations about their operations, such as the smell they produce and the way their land is exposed to the public. In their opinion, answering these expectations in activity that goes beyond the law, gives them their license to produce. Respondent A2 explains on this matter:

*“Our farm is settled next to a main road, totally in the picture. It is quite large in size, so it stands out. We get a lot of reactions to it. It is also sited next to a walking route, (..) so we have the duty to take care of it. (..) We are also sited close to the village, so you have to make*

*sure the noise and smell is minimized. (..) These seem to be small things, but for other people they can be a huge thing.”*

Respondent A5 adds:

*“We have this one local who is not really satisfied with us and that is a difficult thing. It also hindered us in getting our license for this turf. (..) It is important to me that people who pass by think: well, that farm looks like it is taken care for.”*

Respondent A4 concludes:

*“We carry all the responsibility. We have to make sure that we are not a burden to people living around us and work properly. (..) I would find it highly irritating if others would be a burden to me, so we should not be that to them either.”*

Based on these examples, it seems that pressure coming from the local community affects CSR activity in the agricultural industry. In the construction and business-to-business manufacturing industry, only one respondent, in both industries, acknowledged that this is also a driver in their CSR activity. Thus, it seems that this driver is not really of importance in these industries.

Finally, the fourth external driver that can be identified from the obtained data, is the pressure politics and legislation exert on SMEs. Also this external driver seems to be of most importance to the agricultural industry. All 5 respondents have the opinion that their sector is disproportionately affected by rapidly changing legislation and they feel that their sector is under a magnifying glass with politics. Respondent A5 argues:

*“Politicians are imposing more and more rules to our sector. That has a delaying and negative effect, and it also costs us a lot of money. (..) We are totally under the magnifying glass with the agricultural sector.”*

Respondent A3 adds:

*“The government, that imposes all those laws on us, is so far away. They are seated in The Hague, (..) and do not support us.”*

What is remarkable in this industry, is the fact that legislation differs greatly between the provinces in the Netherlands. The respondents in the sample, all located in the province of

North Brabant, argue that the rules in this province are more stricter there than elsewhere in The Netherlands. Respondent A3 clarifies:

*“Just like in the rest of the Netherlands, we should have our cowsheds updated before 2028, (..) but all of a sudden this was advanced to 2022 in North Brabant. Well, that means quite something, because we have to make these investments sooner, which in turn weakens your competitive position. (..) We have to update our calf barns, but the systems to do that are not even present yet.”*

The respondents feel that their sector is disadvantaged in the favor of other sectors. Respondent A3:

*“We have to lower our carbon and nitrogen emissions, while that space goes to other industries. In my opinion, that is highly unfair. (..) In the Netherlands, we have the best farmers in the whole world, with the smallest environmental footprint.”*

Respondent A4 also criticizes the emphasis of politics on the agricultural industry as environmental polluter:

*“They are always talking about the agricultural sector being the only polluter. Well, that is certainly not the case. In the new climate agreements, the entire air and boat traffic is excluded, (..) while we are always labelled as polluters. That is unfair in my opinion.”*

Out of the five respondents in this industry, only one SME does not undertake more activity than the rules prescribe. Respondent A1 explains:

*“The rules we have to follow have become very strict over the years. (..) You cannot compare it with when I started 35 years ago. (..) I do not think any greener than the law tells me to do. (..) I am convinced that in case you stick to the rules, you are doing more than enough.”*

The other respondents claim that they try to act beyond the law to be ahead of possible changes in imposed laws. Respondent A2:

*“At the end of the year, all companies need to have these air purifiers. I have installed these already a few years ago. (..) All the time, you try to progress making these small steps. If you do not, you will be running out of time afterwards.”*

Respondent A4 adds:

*“We have applied for a subsidy on realizing a new cowshed, where you continuously have to meet these requirements beyond the law. You have to do way more than the law prescribes.”*

Based on the data, it seems that legislation and politics affect CSR activity in the agricultural industry. Being under the radar of politicians, SMEs in this sector feel the need to engage in CSR activity. CSR activity in the business-to-business manufacturing industry also seems to be influenced by politics and legislation, although to a lesser extent. Of the 5 respondents interviewed, 2 of them claim that this driver partly shapes their CSR practices implemented. However, the influence politics and legislation have, differs between the two SMEs. Where respondent M4 claims that the politics’ strong attention to its branch in the industry, disposable plastic products, forces the company to take action, respondent M3 argues that domestic labor rights lack, which causes him to implement practices concerning working conditions. Respondent M4 clarifies:

*“There is this really negative tenor on plastics coming from politics. (..) This politician wanted to make a statement claiming that plastics are bad and that it should disappear, without even thinking about what to do instead. (..) Plastics used to be a good concept, but now it is a bad thing. (..) We are trying to deal with that closing the circle of disposing plastics.”*

Respondent M3 explains on lacking labor rights:

*“If someone in the Netherlands becomes less employable, because of illness or whatever, our insurance covers only 70% of the salary. There is no possibility to complement that salary up to 100% ourselves, because that money will be deducted from the amount that person receives from the insurance. (..) In case these problems arise, we will try to look for solutions together with these people. (..) We will fix these problems and pay what this person comes short.”*

## **Chapter 5. Conclusion and discussion**

In this chapter, the conclusion and discussion of this thesis are presented. The conclusion section gives an interpretation of the results discussed in chapter 4 and provides an answer to the research question of this thesis: ‘What are the key drivers that move Dutch SMEs to implement CSR practices and how do these differ across industries?’ The discussion section starts with a discussion of the results viewed in light of existing literature on CSR in SMEs, which has been reviewed previously in chapter 2. Afterwards, the practical implications of the results are discussed. Furthermore, this chapter includes a critical reflection on the limitations of this research. Finally, recommendations for future research are provided.

### **5.1 Conclusion**

The aim of this thesis is to fill the gap in CSR literature on what drives SMEs to implement CSR practices and how this differs across several industries. Based on the data, four internal and four external factors have been identified as drivers in these industries. The four internal drivers are:

- personal belief or ethical values of an SME owner;
- financial capacity of the SME;
- organizational size in terms of employees;
- the extent to which an SME owner has a local connection.

The four external drivers are:

- pressures from customers;
- pressures from media and public opinion;
- pressures from local community;
- pressures from legislation and politics.

However, the importance of these drivers that move SMEs to implement certain CSR practices seems to vary between industries. Interpreting the obtained data, it seems that CSR activity of SMEs in the construction industry is mainly influenced by internal drivers. They hardly receive any pressures coming from outside the organization, so their CSR activity seems to depend mainly on the ethical values and connection with the community of the owner(s), the financial capacity and the size of the organization. SMEs in this industry

implement CSR practices because their owners believe it is the right thing to do, and because they have a strong connection with the local community. However, in case these SMEs are small in size and lack the financial capacity, it seems that they ascribe less attention to implementing CSR practices. Because external attention for their business is relatively low, engaging in CSR activity is perceived as an extra which is only interesting in case the financial capacity allows them to do so. Being a small player in terms of size means that SMEs in the construction sector seem to be more reluctant to implementing CSR, because it is perceived that they can make less of a difference.

On the other hand, CSR activity in the agricultural industry seems to be mainly influenced by external drivers. Society, in the form of media and public opinion, locals and politics have great interest in the operations of agricultural SMEs. Although they might be relatively small in size, they still feel the external pressures to engage in CSR activity. Because agricultural SMEs work with living animals, and they are publicly regarded as environmental polluters, the owners of these SMEs believe that they receive significantly more attention than SMEs in other industries do. Based on these external pressures, agricultural SMEs argue that they are willing to engage more in CSR activity. However, agricultural SMEs can only partly answer to these pressures since they are also bounded to limited financial resources. According to the agricultural SMEs, profits have not been growing over the last years, for instance due to changing legislation such as the European abolishment of the milk quota (Trouw, 2015), but they have to increase investments in sustainable solutions to satisfy the public opinion and politics. With the rise of social media, this demand for sustainable solutions within the agricultural industry has become even more significant. Because of this strong focus on satisfying the public opinion and politics, one should be careful with concluding that agricultural SMEs have a weak local connection. Due to the abundance of external pressures, agricultural SMEs simply might not have the resources and capacity left to engage more in locally focused CSR activities such as sponsorships, even in case they might have a strong local connection.

Finally, it can be concluded that drivers influencing CSR activity in the business-to-business manufacturing industry seem to be more balanced, being more ‘middle of the road’. Some SMEs in this industry argue that they experience strong external pressures, others argue that their CSR activity is mainly influenced by internal drivers. This might be partly explained by the possibility that SMEs in this industry seem to be less uniform in their core business than SMEs in the construction and agricultural industry are. Therefore, one should be more

cautious in drawing conclusions on what drives SMEs in the business-to-business manufacturing industry to engage in CSR activity, a point later discussed in section 5.4. Based on the results, it seems that in case business-to-business manufacturing SMEs produce products that have a more negative image, such as plastics, their CSR activity is more externally driven. Thus, the influence of external drivers on CSR activity in business-to-business manufacturing SMEs seems to depend on the core business of these SMEs. On the other hand, it seems that in case the core business of business-to-business manufacturing firms is more accepted by society, their CSR activity is mainly influenced by internal drivers.

Reflecting on the main objective of this thesis, gaining insights on the pressures that small and medium-sized enterprises experience concerning the rising demand for corporate social responsibility, this thesis provides several interesting findings. Based on the results, Dutch SMEs seem to engage in CSR activity based on industry-specific drivers. SMEs active in a certain industry, for instance the agricultural industry, seem to be more influenced by external factors than other industries, as for instance the construction industry. On the other hand, experiencing less external pressures, CSR activity in the construction industry seems to be mainly influenced by the personal characteristics of SME owners as the belief they have in ‘wanting do to the right thing’, and the strong connection they have with the local community. Being less pressured by external factors might be partly explained by the fact that the construction industry contains a large amount of sole proprietorships (Het Financieele Dagblad, 2019), but validating that possible relationship is outside the purpose of this thesis.

## **5.2 Link between research results and literature**

Reviewing the results of the study conducted in the light of existing academic literature provides several interesting theoretical implications. As was concluded by Jenkins (2006) before as well, the results of this study show that SMEs experience some difficulty in defining the concept of CSR. Similar to the wide variety of CSR definitions in academic literature, a uniform definition of CSR is not to be found among the SMEs in this study. However, when expressing the meaning of CSR, most of the respondents their answers can be traced back to taking into account both the environment and society in doing business. This shows a strong resemblance with John Elkington his CSR concept of the Triple Bottom Line (Slaper & Hall, 2011). This concept states that the operations of companies should not only be profit driven, but should also take into account people and planet. However, the results of this



study imply that the emphasis on people or planet differs between different industries. This is a point which seems to be rather underexposed in academic literature.

Furthermore, the results show that some SMEs are rather unfamiliar with CSR in general. According to one of the respondents, this is related to age and a certain level of education. This respondent argued that people with a younger age and a higher level of education have more interest in CSR. The interest of youth in CSR is also stressed by Coppa and Sriramesh (2013). However, they dedicate this to youth having more social commitment than elderly do. Additional literature research reveals that level of education certainly is positively correlated with interest in CSR (Ramasamy et al., 2010). Age, on the other hand, is not correlated with interest in CSR. Eua-anant et al. (2011) argue that a high level of education does not necessarily mean more knowledge in CSR. An SME owner can be highly educated, but still lack the knowledge on CSR to have a certain interest in the concept.

Previously identified drivers in academic literature influencing CSR activity have also been found in this study. For instance, an internal driver identified across all industries in this study, personal belief, was considered to be the most important internal driver influencing CSR activity in SMEs according to Murillo and Lozano (2006). However, they formulated this driver as personal ethical values. Also the internal driver size has been widely discussed already before. Being smaller in size means that SMEs have less resources and time to engage in CSR activity (Kechiche & Soparnot, 2012). This statement is confirmed by Robson and Mitchell (2007). They concluded that size is a significant factor that drives CSR activity. In a study on companies in the manufacturing industry, they found that the smaller the size of the company, the less they engage in CSR activity. Large companies engage more in CSR than medium-sized companies, and medium-sized companies engage more in CSR than small-sized companies. This finding is also implied by the results of this study, especially concerning the construction and manufacturing industry. A small size means that SME directors are more involved in the daily operations, leaving them less time to focus on non-profit driven CSR practices. On the other hand, Blombäck and Wigren (2009) found that the smaller the size of a firm, the more these firms might have a strong local connection, resulting in more CSR practices such as sponsorships, a finding that is suggested by this thesis as well. However, other literature suggests that organizational size should not necessarily be seen as a driver for CSR, but rather as a given attribute of an organization, functioning as a control variable (Veríssimo & Lacerda, 2015).

Comparing the drivers that influence CSR activity in SMEs, the results of this study imply that these drivers differ among industries, a point that was also stressed by Kechiche and Soparnot (2012), Jenkins (2006), and Russo and Tencati (2009). However, these studies do not elaborate on what these differences look like. Filling up that gap is one of the contributions of this study to theory of CSR in SMEs. For instance, it was concluded in this study that the CSR activity of SMEs in the construction industry seems to be mainly influenced by internal drivers, while external drivers seem to be of more influence in SMEs in the agricultural industry. Furthermore, it seems that the influence of internal and external drivers is more balanced in the business-to-business manufacturing industry. However, this last conclusion should be handled cautiously because of the wide variety of core businesses in this industry. Due to a lack of uniform core businesses, it is more challenging to draw conclusions that represent the wide variety within this industry.

Finally, where most of the academic literature suggests that the media barely plays a significant role in why SMEs implement CSR practices (Graafland et al., 2003; Coppa & Sriramesh, 2013), the results of this study imply that mass media certainly can have an influence, at least in some industries. Especially SMEs in the agricultural industry experience strong pressures coming from the media to engage at a higher degree in CSR activity. Although these SMEs might be relatively small in size, they still believe that they receive more media pressures than equally sized SMEs in other industries. They devote these pressures to the fact that they are working with living animals and that their operations leave a certain environmental footprint.

### **5.3 Practical and managerial implications**

In this section, practical and managerial implications extracted from the research results are discussed. These practical and managerial implications are limited, since the main focus of this thesis is to contribute to developing CSR literature. Based on the results, it turns out that the stakeholders and the pressures they exert on SMEs differ between industries. Thus, an implication might be that in case an SME, operative in one of the three researched industries, is aiming at increasing their CSR activity, it should first critically reflect on the most important stakeholders that have a certain interest in the way the SME is doing business. For instance, for agricultural SMEs to receive a certain license to produce, they have to take into account to a greater extent the interests of external stakeholders than SMEs in the

construction industry do. They are not in the position to ignore the pressures coming from external stakeholders, since this might harm their license to produce.

#### **5.4 Limitations of research**

In this section, the limitations of the research conducted are critically reviewed. A first limitation is the lack of consensus on what the concept of CSR means to the respondents. Although most of the respondents argued that CSR has something to do with taking care of the environment and society as an SME, it lacks an unambiguous definition of CSR among SMEs. This fact might have a negative effect on the validity of this study. The aim of this study was to explore how drivers that influence CSR activity differ across industries, but in case the interpretation of CSR by SMEs is different from academic literature on CSR, the contributions of this study to that field of study might become less valuable.

A second limitation concerns the dispersion of respondents in the sample. The aim of this study is focused on Dutch SMEs, but the sample consisted out of SMEs located in the province of North-Brabant only. It is doubtful that these SMEs are a correct representation of Dutch SMEs in general. Some of the respondents argued that the more rural SMEs, which are strongly reflected in the sample, might have a stronger local connection than SMEs in an urban environment do. Furthermore, the influence of legislation on CSR activity might differ across SMEs in different provinces, because part of the legislation is arranged per province. Therefore, transferring the findings of this study to Dutch SMEs in general could be problematic. The social elements and contexts in which the researched SMEs operate, might be too specific for the findings of this thesis to be transferred to other regions in the Netherlands, let alone other countries. However, this limitation might also provide an interesting direction for future research, more broadly discussed in the next section.

A third limitation concerns the composition of the sample. It might be doubtful that two respondents in the construction industry, namely respondent C4 and C5, correctly represent SMEs in this industry. Although both respondents themselves claimed that they are active in this industry, the core business of these respondents leans more towards the business-to-business services industry, since both SMEs are rental companies in materials and tools for the construction industry. This might harm the validity of this research, since these SMEs might not be the perfect representatives for this industry. On the other hand, one might

argue that the diverse sample used in this research might actually improve the validity of this research. Being one of the largest sectors in the Dutch economy, it is questionable whether the firms in this industry are uniform at all. Thus, by using a diverse sample, the variety within the construction industry might be better represented

A fourth limitation is the doubtfulness of considering the business-to-business manufacturing industry as one specific industry. It seems that there is a greater variety of core businesses within this industry than there is in the construction and agricultural industry. Although all of the respondents in the sample are business-to-business manufacturers, the products they produce are highly diversified. As has been concluded before, this high diversification of core businesses might also be the explanation of the difference in drivers in this industry. Therefore, one should take care in drawing conclusions on this industry. However, the same argument mentioned before holds for this limitation. A wider diversity within the sample might improve the representativeness for this industry. Categorizing (business-to-business) manufacturing companies in one single industry as a unit of research has been done extensively in previous CSR studies (Robson & Mitchell, 2007; Williamson et al., 2006; Lee, 2009).

Finally, a fifth limitation of this study is the use of translated quotes in reporting the results obtained in the research. Since this study is focused on Dutch SMEs, the interviews with the representatives of SMEs were conducted in Dutch. Using the transcripts of these interviews in analyzing the results, all quotes had to be translated in English. Because the respondents used typical Dutch sayings quite often, translating those correctly into English might have been problematic. Therefore, it might be the case that certain used quotations do not cover what has been said by the respondents correctly.

## **5.5 Recommendations for future research**

The results of this study provide certain interesting recommendations for future research. Firstly, it might be interesting to include more industries in this kind of research. For the feasibility of this study, only the construction, business-to-business manufacturing, and agricultural industry were included in the sample, industries that are of great importance to the Dutch economy. But it could be interesting also to conduct research on drivers that influence CSR in for instance the services sector, which is the largest industry in the Netherlands (Graydon, 2019). The Netherlands has signed the Paris Climate Agreement (Rijksoverheid, 2019), and SMEs in different industries could make a significant change in reaching the goals

settled in this agreement (Duurzaam Bedrijfsleven, 2019). This raises the question whether SMEs in, for instance, the service industry are more encouraged to take the responsibility of implementing sustainable solutions.

Furthermore, in of the findings of this thesis, it is suggested that the external driver media and public opinion might have a significant influence on CSR activity in SMEs, at least in some industries. This is a relationship that is rather underexposed in current literature. Exploring this possible relationship more extensively might shed new light on the importance of external drivers on CSR activity in SMEs. Pastrana and Sriramesh (2014) argue that the influence of media as a driver for CSR activity is rather low, but their research was conducted among Colombian SMEs. According to Van Aelst et al. (2008), media has a strong influence on the Dutch society, and with the rising importance of social media, this influence might become even stronger. Therefore, the influence of media and public opinion as a driver for CSR activity in SMEs should not be underestimated.

Finally as a last recommendation, it would be interesting to gain more insights in how drivers for CSR activity differ between areas in the Netherlands. As indicated before, some respondents argue that they have a strong feeling that their connection to the local community is high because they have their origins in a rather rural area. Compared to SMEs in more urbanized areas, they think that they have a stronger local connection, because in rural areas the community is smaller and people are more familiar with one another. Blanchard (2013) more or less seems to agree with this idea and argues that rural firms are more familiar with their surroundings and have a stronger affinity with their customer base and customer needs than urban firms do. Compared to MNEs, it is argued that SMEs have a stronger local connection due to personal relationships with external stakeholders (Brammer et al., 2012). However, the difference between urban and rural SMEs in having a strong local connection is rather underexposed in academic literature. By gaining more insights in the differences between urban and rural SMEs, one could better understand how having a strong local connection influences CSR activity within SMEs, and how SMEs can contribute to the development of the community they operate in.

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## **Appendix 1. Interview protocol**

Company:

Date:

**Aim of this study:** The aim of this interview is to research what drives your company to engage in CSR, or not at all. After conducting all the interviews, the data obtained will be compared in order to get insights how these drivers differ across industries.

**Information provided upfront:** Some questions are developed upfront, but the interview will also dive deeper in certain answers the respondent provides, in order to gain more understanding on the motives of the respondent. As discussed by phone/e-mail, the interview will be recorded using two recording devices. In case a device might malfunction, the interview will still be recorded. The respondent is free to read through the transcript and make adjustments if desired. The recorded interview and transcript will be treated with confidentiality. The name of the respondent will be omitted from the thesis. The respondent receives a digital copy of the thesis by the time it is published.

### **Questions:**

1. Who are you and what does your company do?
2. How long has the company been active?
3. Which industry or sector do you consider the company to be active in?
4. How many people are employed in the company?
5. Would you give a rough estimate of the annual turnover?
6. What does CSR mean to you?
7. Could you give any examples of CSR? Examples in your company?
8. What is the most important reason for you to focus on CSR?
9. To what extent do you think CSR is important for the industry you are active in? Can you give examples?
10. To what extent do you think that you have a certain responsibility towards others/third parties? Who or what?
11. Do you experience any pressures from third parties? Who and in what form?
12. Comparing yourself to large companies (MNEs), do you think you can do less about CSR? Why, why not?

## **Appendix 2. Sample specifications**

<b>Construction industry</b>	<b>Business-to-Business Manufacturing industry</b>	<b>Agricultural industry</b>
<i>Respondent C1</i> Annual turnover: ±€2.8 million Company size: 8	<i>Respondent M1</i> Annual turnover: ±€3.0 million Company size: ±25	<i>Respondent A1</i> Annual turnover: ±€0.35 million Company size: 2
<i>Respondent C2</i> Annual turnover: ±€3.5 million Company size: 8	<i>Respondent M2</i> Annual turnover: ±€5.0 million Company size: 9	<i>Respondent A2</i> Annual turnover: ±€3.0 million Company size: ±5
<i>Respondent C3</i> Annual turnover: ±€2.0 million Company size: 18	<i>Respondent M3</i> Annual turnover: ±€15.0 million Company size: ±60	<i>Respondent A3</i> Annual turnover: €2.0 million Company size: ±15
<i>Respondent C4</i> Annual turnover: ±€2.0 million Company size: 12	<i>Respondent M4</i> Annual turnover: ±10.0 million Company size: ±30	<i>Respondent A4</i> Annual turnover: ±€1.0 million Company size: 3
<i>Respondent C5</i> Annual turnover: ±€0.35 million Company size: 3	<i>Respondent M5</i> Annual turnover: ±€40.0 million Company size: ±250	<i>Respondent A5</i> Annual turnover: ±€1.0 million Company size: 8
<i>Respondent C6</i> Annual turnover: ±€2.0 million Company size: ±25		

### Appendix 3. Data structure

