
CSR, SMES AND SOCIAL CAPITAL

AN EMPIRICAL STUDY AND CONCEPTUAL REFLECTION

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Abstract: This paper is a response to the opening of new lines of research on CSR and SMEs (Thompson & Smith, 1991; Spence, 1999; Moore & Smith, 2006; Spence, 2007). It seeks to explore the business case for CSR in this corporate segment. The paper, which is based on four case studies of medium-sized firms in the automotive sector, took the distinctive approach of trying to understand the nature of CSR-like activities developed not by best-in-class CSR-driven companies but by purely competitiveness-driven firms. The case studies provide explicit evidence that the CSR activities of SMEs and the notion of social capital are interrelated, turning social capital into a powerful instrument to better explain what academic literature has called *silent CSR practices*. The analysis that follows questions some of the basic tenets that underpin the branch of business ethics that deals with the nature of SMEs' approach to CSR. Four basic concerns, which take the form of propositions for further research, serve as the basis for this analysis:

- a) A definition of CSR that includes most of the actions taken by all companies in the territory contributes no academic value to the discipline
- b) Any study of the motivation behind these CSR actions must reflect their essentially pragmatic nature. Actions are linked to social values but also, more importantly, to the nature of the competitive environment
- c) Business ethics must seek common ground with other more sociological disciplines if it is to explain the reasons behind this type of action

d) Any study of this kind of practice requires a dual approach: a) normative when using tools developed by CSR; and b) descriptive and instrumental using the notion of social capital.

Keywords: SME, Social Responsibility of Business, Business Ethics, Social Capital, Silent, CSR

INTRODUCTION: THE NEED FOR ANALYTICAL PROXIMITY TO FAMILY-OWNED FIRMS AND THE REALITY OF SMES

Particularly within Europe, the scholarly literature on CSR has recently begun to focus on the special nature, context and definitions it acquires when referring to small and medium-sized enterprises (SMEs). There are several reasons why smaller companies should, or rather must, be seen as special cases within CSR studies (Thompson & Smith, 1991; Holiday, 1995; Spence, 1999; 2007; Moore & Spence, 2006). One of the central elements in this differential treatment is the special importance of these enterprises to the European economic system (Spence, 1999; Spence & Rutherford, 2006, 1; EC, 2007, 3) over and above the particular organisational, relational and competitive aspects that SMEs in every sector have to face (EC, 2007).

This interest in marking out and clearing a field of academic endeavour for researchers studying CSR as found in SMEs has helped to create a separate research agenda, different from that of large transnational corporations (Thompson & Smith, 1991; Spence, 1999; 2007; Moore & Spence, 2006). The need to clarify the language and understand the special problems facing these companies across different sectors and industries has given priority to boosting our knowledge of the competitive pressures affecting companies in these sectors and, above all, to understanding how this leads to a particular way of interpreting and internalising CSR.

The approach taken in this paper stems from this need to make advances in the research agenda. Our study therefore aims to investigate how a particular economic sector approaches and puts CSR into practice through actions that reflect specific competitiveness dynamics. We use the cases of four medium-sized enterprises in the automotive sector. However, to extend our knowledge of companies in this sector, we have not taken SMEs generally recognised as being active or exemplary in regard to CSR (Murillo

& Lozano, 2006). Reversing the approach of focussing on exemplary cases of CSR, in this paper we concentrate on analysing companies that are primarily seen by outside observers as competitiveness-driven.

We therefore start off with one determining factor and one requirement. The determining factor: that little is known about how supplier companies to the major car manufacturers apply CSR. The requirement: to continue exploring the relationship between CSR and competitiveness as a core element for success in mainstream economics (Porter & Kramer, 2006) and in the European political agenda on CSR (EC, 2007; 2008). On this last point, the *de facto* connection established in European CSR policy between these two areas should be borne in mind. If the basic hypothesis that CSR is a distinctive factor in enhancing and strengthening the competitiveness of European companies were adopted, it would be essential to describe or analyse CSR's links with competitiveness. So it would seem original and necessary to study the most competitive family-owned SMEs, companies which in themselves form a majority in an economic system that is as *yet alien* to the CSR paradigm.

In sum, this paper seeks to explore four elements: a) to examine the scope of CSR in companies not known *a priori* for their commitment to CSR and thus representative of the majority of companies that are just struggling to survive (Spence & Rutherford, 2004; Enderle, 2004; Williamson *et al.*, 2006); b) to take a closer look at the sectorial approach to CSR in relatively small firms (called for in Spence, 1999; DTI, 2002; Spence & *et al.*, 2004; Draper, 2006; Moore & Spence, 2006; Grayson & Dodd, 2007); c) to use qualitative tools that allow us to develop our knowledge based on specific cases (Jenkins, 2004; Spence, 1999; 2007); and d) to do all this without forgetting to set out the business case for CSR for the average company, also argued in Roberts *et al.* (2006), in EC (2007) and in Spence (2007).

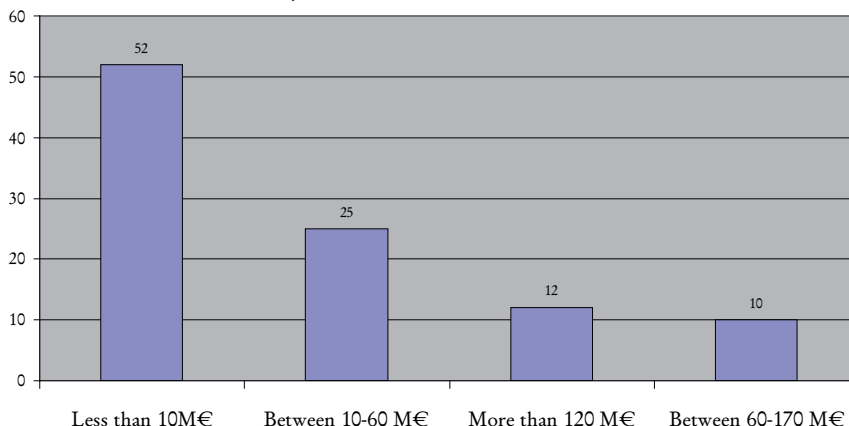
From this point on, the idea is to engage with the current trends of analysis on the CSR in SMEs and to study and analyse the consequences of this kind of approach: what it tells us about our definition of CSR (EC, 2002); to what extent CSR is a good instrument for measuring, defining or outlining a series of actions that go beyond the *a priori* goal of maximising profits; and what lines of research are planned for studies similar to the one at hand. Finally, we suggest reflecting on the difference between a normative approach to CSR and the more descriptive and scientific exercise implicitly argued here.

THE CONTEXT: AN SME PERSPECTIVE OF THE AUTOMOTIVE SECTOR IN CATALONIA

The automotive sector in Spain is currently experiencing a major redeployment caused by world market dynamics. In Catalonia, its main productive region, three major local manufacturers dominate vehicle production: Seat, a member of the Volkswagen group, Nissan and Irisbus. These three companies dominate local automotive production and are the main customers of an extensive network of large, small and medium-sized enterprises. With a production of 2,777,000 units per year for the Spanish market, Catalonia has around 6,000 companies clearly linked to providing productive support to the manufacture and export of vehicles.

Table 1. Breakdown of the auxiliary automotive industry by segment of turnover for Catalonia. 2006

Shares over the total, expressed in percentages: less than €10M, between €10-60M, more than €120M and between €60-170M



Source: Xalma, C. (in Murillo, 2008, 35)

The sector as a whole accounts for roughly 4% of the EVA generated by Catalan industry. The manufacture of components for the sector (known as the auxiliary industry) creates the equivalent of 8-10% of the Catalan GNP and nearly 20% of Catalonia's total world exports. Although difficult to determine due to differences in sector and brand data, direct and indirect employment is provided for between 100,000 and 200,000 workers out of Catalonia's total employed population of 1,903,000 (Pimec, 2007; Murillo, 2008). As illustrated in Table 1, nearly

77% of the production of the auxiliary automotive industry comes from companies with a turnover of less than €60M.

The main role of SMEs in the sector is largely with the third and fourth stages of the production line: they are not end vehicle manufacturing companies, nor do most of them produce integrated component systems.

SMEs typically produce various kinds of specific components, ranging from the components themselves to processes. This means small auxiliary parts, items or services for supply to manufacturers and suppliers, sometimes in more than one sector. Even so, component manufacturers contribute 70% of the added value of the final vehicle (COPCA, 2007).

This sector is therefore very vulnerable to international competitive dynamics in which end product overproduction, pressure to reduce component price, rises in the price of petrol and the appearance of new actors on the international market pose enormous competitive challenges to local companies.

EVIDENCE REGARDING CSR IN MEDIUM-SIZED FAMILY-OWNED FIRMS IN THE AUTOMOTIVE SECTOR

Methodology

To gather more accurate information on CSR practices in the sector, we made a selection of small firms that could be considered competitive or amongst the leaders in the territory. We did this in late 2007 by conducting a series of interviews with heads of the Consorcio para la promoción comercial de Catalunya (Consortium for Commercial Promotion of Catalonia - COPCA) and the Centro de Innovación y Desarrollo Empresarial (Catalonia Development and Promotion Agency - CIDEM).¹ Relying on public data, and after examining the degree of innovation, level of turnover, number of workers hired, profitability and autonomy in management (measured by analysis of the ownership structure), the selection shown in the Table 2 was made. In all four medium-sized companies, one shareholder or different members of the same family owned more than 50% of the company and had direct control over the management of the company. Yearly turnover ranged from €4 to €40M.

¹ Since 2008, the two organisations have merged into a single entity, ACC10: <http://www.acc10.cat/acc10/cat/>

Table 2: Profile of companies analysed

Company:	A	B	C	D
Year of creation:	1953	1978	1998	1976
Activity:	Components and electronic solutions business	Manufacture of mini- and microbuses	Assembly and testing systems	Smelting of iron and nodular iron
Sector	Automotion and other industries	Automotion	Automotion, aeronautics and other industrial sectors	Automotion
Number of workers (2006):	27	145	70	92
Turnover (2006):	€4.5M	€26.5M	€11.9M	€39.2M
Ownership structure:	95% partner 5% others	90% relatives 10% other	99% partner 1% other	28% partner A 21% partner B 14% partner C 12% partner D 25% others

Following Spence (1999) and Spence & Rutherford (2004), once the selection was made and permission was granted to compose a case study on each of them, all the companies were asked to participate in a series of interviews based on an open-ended questionnaire grouped around two main areas. The first referred to competitiveness issues and the company's positioning in the sector, and the second to their level of comprehension and practical application of CSR. A range of CSR indicators was also proposed which the company responded to² and which helped to shape and define their company's CSR. The same questions were put to a minimum of three senior managers in the company, one of whom was the general manager.

The questions were organised under the following headings:

² See <http://www.rscat.cat>. A rationale for the development and use of this model of indicators can be found in Murillo & Lozano, 2009

1) Competitiveness Positioning:

- a) Situation of the company in the sector
- b) Challenges facing the company
- c) Success factors of its business model

2) About CSR:

- d) What was understood by CSR in their company
- e) What actions they believed the company performed in this particular area
- f) How they carried them out
- g) Why they carried them out
- h) How they were evaluated³

The objective was to achieve a clearer picture of CSR practices and to analyse their linkages with the market context.

Results

Using the definition of CSR adopted by the EU (EC, 2002), the companies went on to identify a series of actions that goes beyond the remit of the legal regulatory framework, which establishes patterns of dialogue with relevant stakeholders and addresses the social and environmental aspects of the companies' activities. After collecting all the qualitative data gathered in the different companies in the sample, the researchers went on to allocate the different initiatives according to their relation to a given stakeholder (Table 3). In order to come up with an approximate portrait of the CSR-like actions performed by purely competitiveness-driven SMEs, the data was again merged into a single framework.

³ The cases were published in Murillo (2008).

Table 3: CSR Actions ordered by main stakeholder

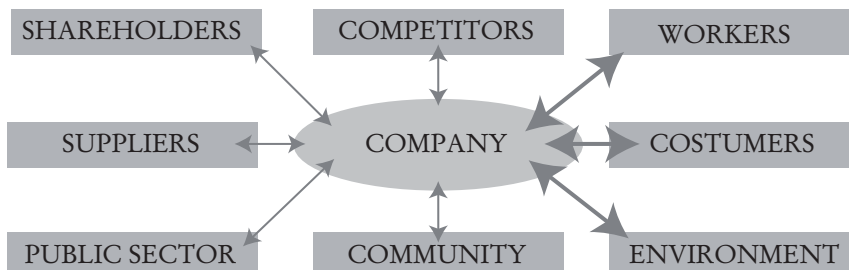
Workers	Customers	Competitors	Community	Environment
Flexible working hours	Pro-productivity and sustained cost reduction measures	Promotion of the creation of local business sector clusters or groups	Participation in economic promotion programmes run by public bodies (town councils, regional councils, etc.)	Introduction of an environmental management system:
Training of workers	One-on-one identification of customer needs and environment constraints (regulations, etc.)	Partnerships with technology centres	Participation in business organisations	• Recycling policies
Professional development and internal promotion	Customer-driven product design, testing, etc.	Participation in local economic promotion initiatives	Contributions, voluntary work and collaboration with other local bodies	• Management of waste and emissions, review of processes and measurement and evaluation of impacts
Spaces for workers' participation in organisational development processes	Quality control / reliability of parts	Participation in sector groups or platforms for:	Partnerships with cultural and sporting bodies	• Environmental evaluation system
Improvement in working conditions	Anticipation of comprehensive customer solutions	• Internationalisation		Environmental certifications:
Hiring workers with disabilities	Specialisation in specific products that bring added value to the customer	• Innovation and research		• ISO 14001
Exceeding average wage levels	Customer relationship management	• Cooperation		• Environmental Audit System (EMAS)
Working with Workers' Committees		• Exchanges of experience		Creation of a department, area or head of environmental management
				Partnerships between companies to share best practices, advice on environmental processes and regulations, etc.

The business case in the automotive sector

As a result, the evidence shows that all or at least many of these particular actions fit well enough within the understanding of the concept of CSR made public by the EC in 2002 (EC, 2002). Figure 1 (below) gives the reader a snapshot of the intensity with which the selected companies relate to their stakeholders. Here, the thickness of the arrows indicates the volume of references in question, as well as the importance attributed to them. A dotted line indicates actions of little or no significance in this area. As we would expect in companies of this kind, and considering the dynamics to which they are subject (Table 1), we can observe more actions relating to customers and workers. This approach is consistent with the customer orientation of the most competitive companies and the emphasis placed on workers as imperative stakeholders in the creators of intellectual capital and thus value (Nahapiet & Ghoshal, 1998).

Their heavy involvement with the environment and degree of interrelationship with other companies in the sector and the community is a priori consistent with the results of other studies. The need to anticipate possible future regulations (European Multi-stakeholder Forum on CSR, 2004), the importance of cooperation with competitors in a sector subject to heavy competitive pressures (Walter *et al.*, 1997 and Spence *et al.*, 2001) and the need to establish relationships with the community (Spence & Schmidpeter, 2003; Porter and Kramer, 2007), particularly for family business outside large urban centres (Niehm *et al.*, 2008), seem to us to be predictable fields of action for SMEs like the ones studied here.

Figure 1. Intensity of the companies' relationships with their stakeholders



Source: Authors' own model inspired by Freeman (1984)

Following other studies (Thompson & Smith, 1991; Castka *et al.*, 2004; Salzmann *et al.*, 2005; Williamson *et al.*, 2006; Crane *et al.*, 2008), an important phase in our analysis began with an attempt to grasp how the competitive dynamics in the sector and the business case for CSR interrelated. On the competitive impact of CSR, many studies have analysed the relationship between Corporate Social Performance and Corporate Financial Performance (Margolis & Walsh, 2003). However, most of them treat companies as black boxes, focussing on statistical results and on the study of large companies (for a summary, see Perrini & Minoja, 2008). From the study by Vilanova *et al.* (2009), we can see how difficult it is to reach a theoretical consensus not just on the definition of CSR but also on the concept of competitiveness *per se*. Essentially, these authors propose that every company must explore how these two fields are related on the basis of some predetermined variables.

In spite of this, in mainstream economics the different positions do in fact defend the existence of an indirect relationship between the two through the increase in intangible assets (Vilanova *et al.*, 2008; Perrini & Castaldo, 2008). Even so, the nature of the relationship is still far from clear.⁴ In the model proposed by Vilanova *et al.*, a relationship between CSR and competitiveness is proposed via five dimensions of competitiveness: capacity to innovate, image, productivity, quality (understood as capacity to satisfy consumer expectations) and financial results. All of these elements either implicitly or explicitly appear in our study (Table 4).

So far, this type of analysis has not been undertaken with a focus on the specificities of SMEs. In Spain, data from the Forética report (2006) on 939 companies highlight the fact that SMEs tend to have a more pragmatic approach to CSR than larger companies and tend to be more sceptical towards the concept (Forética, 2006). Once again, this points us towards a qualitative approach, focussing on the data included in case studies. So all the actions described above, which are comparable to the results of earlier empirical studies (Jenkins, 2006; Murillo & Lozano, 2006; Williamson *et al.*, 2006), were next included in a diagram in which specific actions can be related to the firm's response concerning their motivation, in an effort to establish an *a posteriori* relationship between CSR and competitiveness. This diagram, based on the perspective of the

⁴ Crane, Matten & Spence (2008, 196) attest to the difficulty of showing a relationship of causality, as proposed here, even between commonly linked concepts like advertising expenses and corporate profits.

managers interviewed, allowed for the input of knowledge on the business case for CSR in the automotive sector.

Table 4: Business case: CSR actions and their relationship with competitiveness

Workers	Customers	Competitors	Community	Environment
Maintaining a motivated group with small turnover	Customer orientation	Intersectorial business collaboration	Involvement with the territory and local business and social community	Measures to control the company's environmental impact
Training and personal development of workers	Anticipation of customer demands	Creation of business groups by sector, subsector or territory	Participation as an active agent in the community	Environmental management systems and certifications
	Comprehensive solutions	Participation in transverse bodies		"Right to operate" and increase in the social legitimacy of company actions
Motivation:	Motivation:	Motivation:	Motivation:	Motivation:
Having qualified staff, greater productivity and more potential to create innovation	Differentiation compared with the competition	Sharing experiences and knowledge, enabling technological exchange, enabling innovation in the sector	Exchanging experiences	Differentiation from the competition
	Possibility of progress in new product supply + going for reactive production (in response to new features and requirements)	Strengthening the sector and the role of small and medium-sized suppliers as regards their customers	Better knowledge of local resources	Anticipation of future regulations or new market trends
			Improvement of the company's public image in the territory and greater visibility	

Not surprisingly, we can gather that, as the above data shows, companies considered to be competitive develop approaches to CSR that are strongly related to their strategic long-term management, and according to Williamson *et al.* (2006), this is subject to the competitive model imposed by the sector. This amounts to a series of actions to support and create synergies with all the agents that affect or are thought to affect the company's operations. From this perspective, a fully economic kind of CSR is the most important kind and can be interpreted as a series of actions, whether or not they are directly referred to as CSR (Murillo & Lozano, 2006; Grayson & Dodd, 2007).

This kind of CSR described in the actions noted in Table 3 has also been studied in the scholarly literature from the perspective of social capital. The term 'social capital' has already been used to explain the motivations behind SMEs' adopting CSR, and it appears here as part of the reasoning concerned with strengthening networks or creating links, such as engaging in social actions that have a direct benefit for the company (Thomson *et al.*, 1993; Spence & Schmidpeter, 2003; Spence *et al.*, 2004; Jenkins, 2006; Niehm *et al.*, 2008).

DISCUSSION: LESSONS REGARDING THE FIELD OF CSR IN SMES

Given the evidence presented above, and with the required and self-imposed dose of scepticism given the limitations of the sample, several reflections can be expressed. The academic baggage of the discipline in recent years, as well as data submitted on the automotive sector so far, allow us to take a different view of some issues that have been commonly accepted until now. As has already been stated in other studies, we are confronted with further evidence that merely competitiveness-driven companies can, and in fact do, perform a large set of CSR-labelled actions that can be clearly understood as a way to increase their social capital. In order to discuss the academic implications of these results, several propositions follow:

SO, WHAT KIND OF CSR PRACTICES ARE THESE?

The problem of defining the theoretical framework

One way of responding to the question above would invite us to ask first whether these really are CSR actions (Figure 3). We could choose either of two responses: a) consider that these are, in fact, CSR actions; or b) decide that the definition of CSR used is inadequate. A priori, from the definition of CSR given by the EC (2002), it would seem obvious that these actions should be considered CSR-related. We find voluntariness, stepping beyond the legal framework, dialogue with stakeholders and integration of social and environmental concerns in the company policies. Even though we might question the appropriateness of some of the actions described, most would fall within the EU's definition of CSR.

Even so, the framework for defining and classifying CSR, both as applicable to SMEs and in the light of the evidence provided, seems unclear. So far, CSR has suffered from a kind of uneasiness between its regulatory aspects and its implementation and inclusion in the ordinary language of companies (Spence & Rutherford, 2003b). Hence, we suggest that the definition used as point of departure for CSR policies in the European Union (EC, 2002) presents serious problems of scope and definition.

If only in the light of the cases presented, we should question the usefulness of defining a series of actions as 'CSR' when they account for at least 50% of all external company actions (Observatory of European SMEs, 2002). CSR, as defined by the EU, includes actions, some of which, such as training, are undertaken by 89% of all SMEs (Perrini, 2006), which must thus be considered normal, widespread practices in companies and which Perrini *et al.* (2006) refer to as 'sunken CSR' and Jenkins (2004) similarly describes as 'silent CSR'. What is the added value of a definition that does not allow a clear distinction to be made between CSR actions and non-CSR actions? It is an issue that has not yet been properly addressed.

In spite of this, if we turn to efforts at defining and measuring CSR under the Global Reporting Initiative, we can see how a strategic and planned basis and a stable relationship with stakeholders can serve as a useful point of departure for a rigorous debate on measuring and communicating CSR. We need to find something that will condition and limit the scope of CSR actions if we are to comply with the minimum requirements for classifying and controlling the reality around us. In other words, defining CSR as encompassing a series of actions already taken by most companies seems conceptually redundant.

Lastly, the question we are raising here is whether CSR is this broad set of practices (Table 3), or if there is or should be other particular

features necessary to properly label a business action as CSR (Crane *et al.*, 2008). This question brings us to the problem of description suggested by Thompson and Smith (1991) when they wondered whether corporate actions taken in response to competitive pressures can be considered CSR. This reflection does not seem to have met any proper response in the academic literature, where it has perhaps been subordinated to the more pressing concern of expanding and popularising/mainstreaming the term in order to make it seem approachable for businesses. The question that remains unanswered is whether a concept like CSR must contribute a minimum added value to the discipline if it is to be used.

Proposition 1: If for SMEs 'CSR' defines actions carried out by the immense majority of companies, we have insufficient reason to justify its distinctive nature for methodological and operational purposes.

WHAT IS THE REASONING BEHIND THESE PRACTICES?

The problem of causality

Nor can the issue of the motivation of CSR actions, highlighted by Thompson & Smith (1991) and Spence & Schmidpeter (2003), be overlooked. The current debate on the motivations behind corporate activities mainly involves two academic approaches, namely orthodox economics and social economics (Spence & Rutherford, 2004). On the one hand, economic theories of the firm see the company as a rational, goal-directed body bereft of emotion and perfectly informed. Economic sociology, on the other hand, makes it clear that economic actors are not perfectly rational, that they do not operate in a social vacuum (lacking any other agents) and that their behaviour is largely affected by and a product of prevalent social norms (Swedberg, 2003). These factors often run contrary to the model of the perfectly rational and profit-maximising economic agent sustained by orthodox economics, particularly when, as in the case of family firms or SMEs, research shows that the immense majority of companies do not operate by maximising profits (Spence & Rutherford, 2003 & 2004).

It seems that the confluence of economic interest and social pressure underlies many of the CSR actions of large companies, particularly when accounting for their philanthropic or apparently disinterested actions.

Even so, in the light of the cases described, in competitiveness-driven companies in this demanding sectorial environment, there is a clear confluence between competitiveness models and CSR actions (Figure 4).

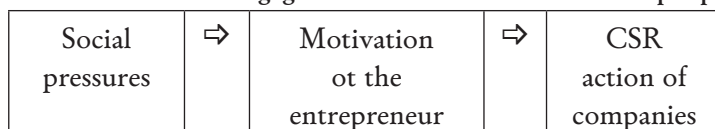
The studies published to date on the motivation behind corporate CSR in SMEs tend to highlight the importance of the ethical values of the owner-manager entrepreneur him- or herself (Trevino, 1986; Quinn, 1997; Vyakarnam *et al.*, 1997; Spence 1999; EC, 2007). When there is confluence between the competitive model and CSR practices, we should perhaps start to question the scope of such claims, or at least reconsider what we mean when we talk about an entrepreneur's ethics.

In this sense, again in the light of the cases studied, we must consider the possibility that the entrepreneur's ethical awareness comes down to a series of social norms of behaviour, habits and customs identified as socially beneficial. To give one example using an action identified in our empirical study, company involvement in the economic and social development of its region is considered socially beneficial for the community. And the SME entrepreneur, independent and acting on his or her own volition, must be identified as the main driving force behind such action. In short, his or her freedom to act governs whether any specific action is taken or not. However, social norms and pressures will assign a positive or a negative value to specific actions and values, and such pressures, determined by culture and values, must be recognised as the origin of the actions. Consequently, from a sociological perspective, it should not be assumed that entrepreneurs act autonomously or independent of any kind of social influence.

What we propose here is that we must define and clarify what we mean when we talk about motivations and drivers to refer to the cause of a specific CSR action. If by motivation we mean the driving force behind the action, a sociological reading of the individual-agent-entrepreneur and the social space that forms his or her ethical and moral framework appears inevitable.

Finally, in the same way, the fact that both individuals and entrepreneurs are pressured to act in ways that are considered socially exemplary leads to a new sociological reading of what we should understand as individual ethics and group moral values and their relationship (see a practical implication from behavioural economics in NEF, 2005, or in Prime Minister's Strategy Unit, 2004). As seen from the point of view of economic sociology (Figure 2), the transfer or interrelationship between the concepts, between ethics and moral values or between individual and collective action, seems obvious.

Figure 2. Motivation to engage in CSR from a socio-economic perspective



Authors' own

The data studied here should make us consider the dual influence of self-interest and social pressure behind any business action, and behind any specific CSR action as well. We can read this as a dual motivation: the market that pushes the company in a particular direction, and the social values that associate a particular type of action with CSR.¹ In any case, we assert that acting in accordance with social norms of what is good or bad is both pragmatic and in line with governing moral principles.²

Proposition 2: The SME entrepreneur's motivation towards CSR is fundamentally pragmatic, and just like possible social pressures, it is strongly influenced by the competitive dynamics in the sector.

CSR IN SMES: THE BENEFITS OF SOCIAL CAPITAL AS EXPLANATORY TOOL

Academic division as a hurdle

When justifying a different approach to CSR in smaller companies, little attention has been paid to the need to incorporate advances made

¹ The relationship between interest and social pressure is obvious from sociological approaches to individual action and forces us to distinguish between regulatory and sociological approaches to individual ethics. Looking back to Weber (1964[1922]), we could say that individual action is occasioned by self-interest, while the action's driving force comes from culture and its implicit values. Aristotle (1985[bC325]) argued that ethics is the result of habit and moral exercise, which dovetails with Bordieu's sociological approach (Swedberg, 2003, 241) according to which a company's culture or disposition is the disposition of the author to approach reality in a way that is influenced by his or her past.

² From here on we should follow the debate launched by Robert Frank in the entry on Motives and Self-interests in *The Blackwell Encyclopedic Dictionary of Business Ethics* (Werhane and Freeman, 1997).

by other academic disciplines which, business ethics³ apart, have tried to explain the type of actions that we are analysing. Up to now, everything would seem to indicate that the CSR of competitiveness-driven companies would bring us closer to the concept of social capital.

A number of authors have already addressed the relationship between CSR and social capital in regard to SMEs (Spence & Schmidpeter, 2003; Spence, Schmidpeter & Habish, 2003; Fuller & Tian, 2006; Perrini, 2006; Perrini *et al.*, 2006; Worthington *et al.*, 2006; Perrini & Minoja, 2008). However, in spite of the recognition that, empirically speaking, social capital and CSR are not the same (Fuller & Tian, 2006), there has been no reflection on where one concept ends and the other begins, what differences there are or what points of intersection could be established between the two conceptions.

Going back to our earlier discussion on competitiveness, we proposed that in the case of SMEs there is no sound evidence linking CSR with the attainment of competitive advantage or financial success (Spence, 2007). Conversely, in the light of the cases studied (see Table 4), particularly if we establish a link between the concepts of CSR and social capital, a relationship of this type certainly appears. Following Nahapiet & Ghoshal (1998) and Inkpen & Tsang (2005), the notion of social capital involves the study of three separate dimensions: the structural, the relational and the cognitive. If we use the reading of the earlier model on entrepreneurship contained in the work of De Carolis & Saparito (2006) and apply it to the empirical evidence discussed here, a confluence can in fact be seen between the SME's degree of involvement with its environment and its ability to attain competitive benefits.

Following these authors and comparing their contribution with Tables 3 and 4, the relationship between CSR/social capital and competitiveness seems obvious. Structurally, the company's participation in networks allows it to obtain and capitalise on information for its own benefit. In relational terms, the links created generate reciprocity and trust and increase the likelihood of creating future returns (also in Lin, 1999). Finally, from a cognitive standpoint, the links established let the actors share representations, interpretations and systems of meaning that help them to exchange information and sustain their capacity for learning and knowledge creation (see Spence & Rutherford, 2004).

³ Used by Carrol (1999, 291) as an umbrella term to define the scope of discussion of CSR.

So here is a first link between social capital and competitive advantage, and between CSR and competitiveness (see Pollitt, 2002, and Perrini & Minoja, 2008, for reflections on the link between trust, intangible assets and competitiveness). From a strictly business viewpoint, following Carolis & Saporito (2006), the direct benefits of social capital are the information and capacity required to influence the environment (see also Inkpen & Tsang, 2005). This viewpoint concurs with the statement that cooperation with social capital networks is one way to access additional resources (Spence *et al.*, 2004), or further with the statement that a business's sustainability depends on the sustainability of its relationships. That is, in the words of Perrini & Castaldo (2008): "social capital and trust are at the basis of growth and competitiveness of the business", an affirmation shared by Worthington *et al.* (2006).

In any case, the empirical evidence from the automotive sector seems to merge the two approaches into one. From the business ethics approach, we find that "trust and social capital play a fundamental role in explaining the relationships between CSR initiatives and CSR results – like cohesion of stakeholders, motivation and commitment - and between CSP and CFP" (Perrini & Minoja, 2008, 49). Particularly from the SME perspective, and following in the footsteps of Niehm *et al.* (2008, 333), CSR must be understood as enlightened self-interest: "this approach suggests that socially responsible actions by a community-based firm will be reciprocated over time by support from loyal customers, employees, suppliers and other stakeholders". This concept is complementary to that of social capital, referred to in Tsai & Goshal (1998) as the "intangible value created by relational ties between family businesses and the community manifested through the development of trust, commitment, reciprocity and a sense of shared vision".

If we carry out the exercise of comparing the two approaches, the drivers of the SMEs' CSR and the drivers of social capital, we find some striking relations (Table 5), even though they come from different academic traditions. In any case, these overlaps are sufficiently surprising to lead us to question whether, on the practical level and contrary to what Fuller & Tian (2006) hold, we are not talking about a single concept under two different names.

Table 5. Comparison of CSR drivers and the benefits of social capital

Drivers of the CSR of SMEs as presented in the European Multi-stakeholder Forum on CSR (2004)	Benefits of social capital according to Adler and Kwon (2002)
<ul style="list-style-type: none"> • Many SMEs are driven to integrate CSR because of the personal beliefs and values of the founders / owner-manager(s) and employees. • Additionally/alternatively, many SMEs are driven by some combination of minimising risks and maximising opportunities. • Attracting, retaining and developing motivated and committed employees – especially because the speed of market and technology change – means that flexible and engaged staff is needed. • Winning and retaining consumers and business customers (supply chain pressures and opportunities), especially because of economic stagnation, means SMEs need to find new markets/revenue streams. • Being a good neighbour – maintaining a licence to operate from the local community • Responding to pressures from banks and insurers • Reputation – with both internal and external stakeholders • Changing perceptions of the role of business in society (not only a source of profit) through the media, education and actions by stakeholders • Cost and efficiencies savings, e.g., reduced insurance and landfill costs • Networking opportunities • Product / market innovation, differentiation and competitive edge, and the need for more sources of creativity and innovation in business • Anticipating future legislation 	<ul style="list-style-type: none"> • Social capital influences career success and executive compensation • Social capital helps workers find and create a richer pool of recruits for firms • Social capital facilitates inter-unit resource exchange and product innovation • Social capital helps to create intellectual capital • Social capital helps to create cross-functional team effectiveness • Social capital reduces turnover rates and organisational dissolution rates • Social capital facilitates entrepreneurship and the formation of start-up companies • Social capital strengthens supplier relations, regional production networks and inter-firm learning

Taking a trans-disciplinary standpoint, Compans and Mullen (2007) state that entrepreneurs' market opportunities depend not only on opportunities relating to information on economic resources (the economic dimension) but also on their cultural ability to exploit them (the cultural-cognitive school), as well as on the company's participation in networks and socio-political structures that make the former possible (socio-political school). So following Spence and Rutherford (2003, 2), we hold that sociological work on CSR has an important role to play in our academic field.

In short, some of the important discussions on the nature of CSR in SMEs have already been analysed by other disciplines and from other angles. Economic sociology, industrial anthropology, corporate cultural studies and organisational sociology have dealt extensively with the motivations and reasons behind company action.⁴ Therefore, following Spence & Rutherford (2004), the creation of a particular area of knowledge for the CSR of SMEs within orthodox economics should not isolate our field of knowledge but actually bring us closer to other disciplines that for years and with varying degrees of success have been trying to explain a reality that extends beyond the current academic divisions.

Proposition 3: To better comprehend and explain a shared reality, business ethics as a discipline would benefit from re-establishing links and further delving into the studies performed in other academic communities.

CSR AS A NORMATIVE APPROACH TO WHAT SMES REALLY DO?

Normativity as a problem

Spence and Rutherford (2003, 3) state that “despite occasional foci on sociological perspectives (...), the business ethics field remains currently dominated by the normative perspectives of moral philosophy”. We argue that the discussions on what ought to be done are, however,

⁴ Thus, the theory of Resource Dependence argues that “an organization will therefore always be dependent on its environment, and its leadership will typically try to develop strategies for how to cope with external constraints. The idea of resource dependency can very easily be used to analyze the behaviour of firms” (Swedberg, 2003, 99)

undermined by a lack of full, rigorous appreciation of what is actually being done. Indeed, the very nature of business ethics is the consequence of its normative origin.

In their day, Donaldson & Preston (1995) came out in defence of Freeman's (1984) stakeholder theory, examining its validity in its three dimensions: normative, instrumental and descriptive. Here, establishing a parallel between this earlier work and the current theoretical approach to CSR in SMEs, we maintain that the soundness of the latter only extends in practice to the normative realm (and perhaps the instrumental realm if we include the societal and political perspective of CSR). Even so, its validity from the descriptive point of view is limited when it ignores other, sounder approaches.

Large companies are concerned with responding to societal pressure from the new distribution of world power between corporations and governments (Donaldson, 1982). Conversely, the actions of competitive SMEs, particularly in the automotive sector, are linked not to external pressure pushing them towards CSR but to strictly market dynamics. This indicates a form of CSR that a priori lacks ethical motivation but as we have already argued can still be included within a generic definition of CSR (EC, 2002).

This leads us to two readings of the same fact. First, this is a form of CSR that takes the guise of a normative approach to actions that, at least for the SMEs in the sector studied, are carried out irrespective of any knowledge (Figure 3). Second, this is a notion of social capital that leads us to explore our knowledge of the motives behind these actions. This dual approach to the CSR of SMEs ties in with that of Thompson & Smith (1991), where the reasons behind CSR are ultimately reduced to two types: instrumental and normative, the former explaining the action of the SMEs studied here.

The scholarly implications of this reading, distinguishing between or comparing CSR and social capital, cannot be developed here, even if the inadequate empirical evidence accumulated so far allowed it. However, we can tentatively and in general terms distinguish between the CSR of large companies, linked to social pressures, and the CSR of SMEs, unaffected by such pressures and basically displaying a natural and competitively motivated relationship with its environment. This, then, is a kind of CSR stripped a priori of any ethical references and linked to a social valuation where the consideration of actions as morally acceptable or not is only pronounced after the fact.

For a descriptive approach to this CSR, at least for SMEs, the added value of a concept that to date has neither shed more light nor solved greater operational or methodological problems than the notion of social capital has not yet been studied (for the general argument see Adler & Kwon, 2002. In regard to SMEs, see Spence *et al.*, 2003, Spence, 1999, and Schmidpeter, 2003).

Proposition 4: From the SME perspective, a twofold approach is suggested: a type of CSR that is valid in the normative realm as a way to explore the nature and motivation of the actions analysed; and a notion of social capital that is potentially useful in the descriptive and instrumental realms.

CONCLUSIONS

This paper has focused on the study of competitive SMEs in the automotive sector and arose from the need to develop new methodological approaches and create theoretical frameworks that can help us to understand the distinctive approaches that SMEs take to CSR (Spence, 1999 & 2007). Based on the empirical evidence developed from practical cases (as suggested by Spence, 1999; Castka *et al.*, 2004; EC, 2007; Spence, 2007), it responds to the call made by many authors to study the behaviour of SMEs at the meso level. It specifically concentrates on learning more about the factors that determine how SMEs relate to their stakeholders and the stakeholders' influence on the behaviour and CSR practices of these companies (as stated in Spence, 1999).

As was to be expected in companies supplying the automotive sector, the competitive dynamics of the market and its context are the main factors determining their approach to CSR practices. A preliminary analysis was conducted of the interrelationship between CSR practices and actions that lead the company to a better competitive positioning, noting the company's active involvement with the stakeholders most directly linked to its business model. The issue dealt with here is the business case for CSR among these companies (Spence, 2007), leading to a clear link between competitiveness and CSR through the notion of social capital.

All of this allows our analysis to infer four propositions for the study of CSR in SMEs:

a) We postulate the insufficiency of a theoretical framework for CSR that, at least for SMEs, includes a series of actions that are already taken by most small companies. A debate would seem to be required to clarify which elements should be used to distinguish between common or ordinary and extra-ordinary actions by a company.

b) Similarly, there is discussion of the motivation behind these actions. Thus, we emphasise the essentially pragmatic nature of such actions, particularly when referring to SMEs, linked once again to the notion of social capital. The accumulation of social capital allows a company to position itself as competitively as possible on the market. This shows us a kind of social pressure in the guise of public opinion or social values that lead to actions being considered as CSR.

c) The mainly social nature of this interrelationship leads us to discuss the limitations of the concept of CSR by comparing it with the notion of social capital (Adler & Kwon, 2002). What is shown here is the striking relation established between the theoretical models of both concepts. An argument is also given to revisit of the academic baggage of other markedly sociological disciplines that study the actions of companies on the market.

d) Finally, due to all the above, a twofold approach is suggested for the type of action taken by companies similar to those studied: a normative approach that would be covered by CSR, and a descriptive or instrumental approach that is reflected in studies of social capital which would eventually be more fruitful when trying to understand the whys and the hows of many of the so-called 'silent CSR' practices.

To sum up, this paper points to the need to define and tailor our theoretical approach to the social responsibility of SMEs. The contribution of this study is that it based its series of reflections on companies that operate in a particular sector and are known less for their CSR activity than for their efficient competitive positioning.

RESEARCH LIMITATIONS AND PERSPECTIVES

The limitations of this study are twofold: first, the methodological limitations as regards the specificity of its small sample in a very particular

territory, and secondly the difficulties already indicated by Thomson & Smith (1991) in studying the CSR of SMEs. These difficulties arise from self-reporting by respondents with no testing, coupled with the possibility of misinterpretation by the researchers. Qualitative studies undoubtedly overcome some of the difficulties of statistical studies conducted using surveys, but our data are based on the executives' perceptions, not on their actual behaviour. As earlier authors agree, this information is based on intent or statement rather than on specific action or assumption attributed. Studies of this type may undoubtedly be fine-tuned by the triangulation of research methods and the use of ethnographic tools such as participant observation.

Added to any methodological limitations, the use made here of the notion of social capital is not sufficiently developed, nor can a full connection between CSR and social capital be argued for all cases and sectors. A brief review of the scholarly literature corroborates the statement of Spence & Schmidpeter (2003) and Werner & Spence (2004) that taking part in associations and networking are not the panacea for all SMEs, and that problems can arise from an excess of social capital (Spence *et al.*, 2003) a concept which in entrepreneurship literature is referred to as 'overembeddedness' (Adler & Kwon, 2002), which have potentially negative effects on a company's competitive positioning (Duysters & Lemmens, 2003).

Similar studies on other sectors may pinpoint or define the link between the types of actions explained here (Table 3) and their relationship with the competitive framework of each specific sector. Even so, we believe that the most important progress to be made in explaining the motivations behind the CSR actions of a majority of SMEs will come from the understanding of CSR as a normative label for actions aimed at accumulating social capital.

At least for the analysis of SMEs, the link with business ethics along with other disciplines like behavioural economics, economic sociology, industrial anthropology, corporate cultural studies and organisational sociology may help to pinpoint and define concepts and, as already stated, provide an in-depth understanding of the reasons behind the actions described.

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