Investigating the Impact of Firm Size on Small Business Social Responsibility: A Critical Review

Author(s): Jan Lepoutre and Aimé Heene

Source: *Journal of Business Ethics*, Sep., 2006, Vol. 67, No. 3, Small and Medium-Sized Enterprises & Corporate Social Responsibility: Identifying the Knowledge Gaps (Sep., 2006), pp. 257-273

Published by: Springer

Stable URL: https://www.jstor.org/stable/25123872

Journal of Business Ethics (2006) 67:257–273
DOI 10.1007/s10551-006-9183-5

Investigating the Impact of Firm Size on Small Business Social Responsibility: A Critical Review

Jan Lepoutre
Aimé Heene

ABSTRACT. The impact of smaller firm size on corporate social responsibility (CSR) is ambiguous. Some contend that small businesses are socially responsible by nature, while others argue that a smaller firm size imposes barriers on small firms that constrain their ability to take responsible action. This paper critically analyses recent theoretical and empirical contributions on the size–social responsibility relationship among small businesses. More specifically, it reviews the impact of firm size on four antecedents of business behaviour: issue characteristics, personal characteristics, organizational characteristics and context characteristics. It concludes that the small business context does impose barriers on social responsibility taking, but that the impact of the smaller firm size on social responsibility should be nuanced depending on a number of conditions. From a critical analysis of these conditions, opportunities for small businesses and their constituents to overcome the constraining barriers are suggested.

KEY WORDS: small business social responsibility, CSR, SMEs, small business, entrepreneurship, shared responsibility

ABBREVIATIONS: SMEs, small and medium-sized enterprises, CSR, Corporate Social Responsibility, SBSR, small business social responsibility

Jan Lepoutre is a PhD candidate in Applied Economics at Ghent University, Belgium. His dissertation focuses on the competences associated with small business social responsibility.

Aimé Heene is a professor at the Faculty of Economics and Business Administration at Ghent University, Belgium. He teaches strategic management for private and for public organizations and currently focuses his research on (competence-based) management in public and social profit organizations.

Introduction

Over the last decades Corporate Social Responsibility (CSR) has gained salience in academic literature (de Bakker et al., 2005). However, although CSR can be applied to all sorts of businesses, regardless their size or sector, it has been predominantly investigated at the level of the larger firm (del Brío and Junquera, 2003; Hillary, 2000a; Observatory of European SMEs, 2002; Spence, 1999; Werner and Spence, 2004). A specific investigation of CSR in a small business context is important for three reasons. The first argument is that small and medium-sized enterprises (SMEs) constitute 99% of all business in the EU and are responsible for 66% of total employment and half of the total value added in the EU (Observatory of European SMEs, 2003). Their impact on society is therefore underestimated and ignoring SMEs in research is "in fact totally inappropriate" (Spence and Lozano, 2000: p. 43). Second, implementing CSR in large enterprises is not necessarily the same in SMEs. Small firms are not little big firms (Dandridge, 1979; Welsh and White, 1981) and have a number of specific characteristics, which have an impact on what a small business social responsibility (SBSR) constitutes. Finally, large firms are becoming increasingly entrepreneurial in nature, implying that the research on SBSR may yield valuable insights for larger enterprises as well (Quinn, 1997).

Although the literature on SBSR has been growing over the last years, the knowledge on SBSR is still fragmented and has not yet developed into a coherent theory. A theory is important, as it provides an economic means to organize information in a way that is internally and externally consistent, verifiable, has generality and possesses scientific parsimony (d'Amboise and Muldowney, 1988). Such a slow theory development can be explained by the fact that, in general, it is difficult to integrate all small businesses in one general theoretical framework (Curran and Blackburn, 2001; d'Amboise and Muldowney, 1988). The small business community is very heterogeneous and behaviour is influenced by a number of factors. The same variety seems to exist in SBSR research. The influence of firm size on SBSR, for example, yields diverging results and opinions. On the one hand, a number of reports state that small firms are *better* positioned and equipped for socially responsible behaviour than large firms. Small businesses are often celebrated for such social benefits as creating jobs, inducing economic growth and introducing innovations (Audretch, 2002; European Commission, 2003a; Wennekers and Thurik, 1999). In addition, many small businesses attract clients and employees in the local community. As having a good reputation is of paramount importance to their competitiveness, small businesses would naturally engage in practices that are aligned with their stakeholders' wishes and behave socially responsible (Besser, 1999; BITC, 2002; EMSF, 2004; European Commission, 2003b). Furthermore, the entrepreneur, as a specific type of the small business owner-manager, is associated with personality traits that increase the likelihood of responsible behaviour (Solymossy and Masters, 2002; Teal and Carroll, 1999). For those reasons, it is often stated that due to their very nature, small businesses are socially responsible, but that they just do not know they are (BITC, 2002; EMSF, 2004).

Other researchers have found that small businesses experience *more* difficulty than larger firms to take their social responsibility. Many small business owner-managers have never thought about CSR or believe that their social and environmental impact is negligible (Hitchens et al., 2005; Petts et al., 1999). Small business managers themselves argue that they have no time or resources to dedicate to social responsibility (BITC, 2002; Observatory of European SMEs, 2002; Tilley, 2000) and that obeying the law may be a problem to begin with (Gerrans and Hutchinson, 2000; Petts et al., 1999; Tilley, 1999). Empirically, these statements have been substantiated by a number of studies that have found a positive relationship between size and community involvement or environmental behaviour among SMEs (Besser, 1999; BITC, 2002; Murphy et al., 1992; Observatory of European SMEs, 2002; Vives et al., 2005), and similar impacts of firm size on CSR have been found among larger enterprises as well (Adams and Hardwick, 1998; Brammer and Millington, 2006; Greening and Gray, 1994; Sharma, 2000).

These conflicting observations demonstrate that the question whether and how the small business context influences CSR remains unresolved. In this article, we therefore want to contribute to the development of SBSR theory by critically reviewing the relationship between firm size and SBSR. We will do so by consecutively exploring the effects of size on four antecedents of managerial and organizational behaviour. Our analysis begins with issue characteristics, then personal characteristics, followed by organizational characteristics and finally context characteristics. We conclude our paper with a discussion on the implications of our model for practice and theory and suggest directions for future research.

Defining the small business and its social responsibility

Small businesses have been distinguished from larger companies by such criteria as financial turnover, assets, market share, numbers employed and ownership (Curran and Blackburn, 2001). The cut-off levels that are chosen along those dimensions, however, vary considerably between studies and are sometimes not even reported (Hillary, 2000a; Spence, 1999). We take the EU definition for small enterprises, with inclusion of micro-businesses, as a starting point. Small businesses are those that have fewer than 50 employees and have a turnover or balance sheet total that does not exceed €10 million (European Commission, 2003b). Furthermore, Spence recommended, "small businesses should be defined as those with fewer than 50 employees, and that they should be owner-managed and independent" (1999: p. 169). In this paper, we focus on those businesses that fall within the scope of both these definitions, because it allows a narrowed focus and increased possibility of finding patterns that are generalizable across companies. Although studies that also comprised medium-sized enterprises were not excluded, they were only included if their results were also valid for small businesses.

We base our definition for SBSR on the European Commission's publication on "Responsible Entrepreneurship", in which it defined the responsible entrepreneur as one that (1) treats customers, business partners and competitors with fairness and honesty; (2) cares about the health, safety and general well-being of employees and customers; (3) motivates his workforce by offering training and development opportunities; (4) acts as a 'good citizen' in the local community; and (5) is respectful of natural resources and the environment" (European Commission, 2003b). In our review of SBSR literature, we have thus integrated contributions from "small business ethics" issues, "social responsibility" issues and "environmental" issues.

In order to cover the impact of size on all the contingent factors of SBSR behaviour, we follow a number of reviews that have classified the contingent factors of small business behaviour into four, more or less similar, dimensions (Chau and Siu, 2000; d'Amboise and Muldowney, 1988; Longenecker et al., 2006; Solymossy and Masters, 2002): issue, personal, organizational and context characteristics. *Issue characteristics* refer to the situation or the matter of concern to SBSR behaviour; *personal characteristics* relate to the values, competencies and actions of the owner-manager; *organizational characteristics* involve the tangible and intangible resources and structures of the firm; and *context characteristics* refer to the economic, social and institutional factors, which are external to the organization.

Issue characteristics

In the literature on SBSR, we find a number of instances where the "moral intensity" of social responsibility issues–the moral imperative that a certain situation generates–varies with firm size. In his landmark paper, Jones (1991) proposed a model that explains moral action on the basis of six dimensions of issue moral intensity. The higher the moral intensity of these dimensions, the more likely a person will (1) recognize the moral issue; (2) use sophisticated moral reasoning; (3) develop an intention to behave morally; and ultimately (4) behave ethically. Recent research suggested that these six dimensions can be reduced to three (McMahon and Harvey, 2006): *Probable Magnitude of Consequences, Proximity* and *Social Consensus*. *Probable Magnitude of Consequences* refers to the probability that an action will have a certain level of effect in time. *Proximity* relates to the feeling of social, cultural, psychological or physical closeness of the agent with the victim (or beneficiary) of the action. *Social Consensus* indicates the level of social agreement that the action is evil (or good).

Empirical research found that large and small enterprises are very similar with regard to the importance they attach to abstract normative ethical, social and environmental principles (Bucar et al., 2003; Longenecker et al., 1989; Merritt, 1998). However, small and large businesses differ with regard to the responsibility issues recognized once these abstract principles are applied in specific situations in reality (Hornsby et al., 1994; Humphreys et al., 1993; Lahdesmaki, 2005; Longenecker et al., 1989). Small business owner-managers are particularly sensitive to activities related to their immediate internal stakeholders (employees, customers and suppliers), involving loyalty in their (often close) relationship with customers and employees; openness, honesty and fairness in contracts, agreements, payments and (marketing) information; pricing issues among competitors; and the origin of resources (Hornsby et al., 1994; Humphreys et al., 1993; Lahdesmaki, 2005; Vitell et al., 2000; Vyakarnam et al., 1997). On the other hand, such unethical actions as padding expense accounts, often resulting in a higher income for the owner-manager, are experienced as less problematic (Longenecker et al., 1989; Murphy et al., 1992). Also, SBSR actions in domains external to the firm (e.g., community and the natural environment) are relatively limited and fragmented (BITC, 2002; Tilley, 1999; Tilley, 2000; Vives et al., 2005), predominantly because small business owner-managers "have never thought about it" (Observatory of European SMEs, 2002). In Latin America, for example, only 5% of small businesses remained idle with respect to internal SBSR activities. By contrast, inactivity concerning external stakeholders and the environment was much higher (39% and 52%, respectively) (Vives et al., 2005). Moreover, the fact that compliance with labour legislation was much higher than with environmental legislation serves as additional evidence for this variety in issue perception. Although similar trends can be found among medium-sized and large firms, these larger firms nevertheless showed higher activity levels in environmental and external social issues (Observatory of European SMEs, 2002; Vives et al., 2005) and were also more prudent with regard to operational and tax issues than they had concerns about marketing issues (Murphy et al., 1992).

This empirical evidence indicating the differences in perception between smaller and larger firms can be explained by the moral imperative that is experienced along the three moral intensity dimensions as summarized by McMahon and Harvey (2006). First, size has an effect on the perceived Probable Magnitude of Consequences. Whereas the effects of unethical behaviour in marketing issues are often very visible and open to external scrutiny, financial issues are not as widely audited in small firms as they are by the formal controls in larger firms (Longenecker et al., 2006). Thus, the issue visibility – whether the behaviour can be noticed by constituents inside or outside the organization (Bowen, 2000) – is important, as it influences the magnitude of the consequences of irresponsible behaviour. Likewise, a number of researchers have demonstrated that many small businesses perceive their impact on the natural environment or their efforts to improve it to be negligible (Hitchens et al., 2005; Holland and Gibbon, 1997; Ludevid Anglada, 2000; Merritt, 1998; Observatory of European SMEs, 2002; Petts et al., 1999; Schaper, 2002; Vives et al., 2005). If individual behaviour does not result in immediately noticeable improved or worsened environmental outcomes in specific situations, then many people are not willing to engage in such behaviour despite their abstract concern with society or the environment (Schaper, 2002; Sharma, 2000), especially when "bad" behaviour is followed with only mild punishment (Treviño and Youngblood, 1990). However, when there is a perception that such an effort is part of a shared responsibility to work for environmental betterment, than small business owner-managers will be more willing to accept their own responsibility (Ludevid Anglada, 2000; Spence et al., 2000).

Second, size also influences the Proximity of the responsibility issues. After reviewing 22 studies on the stakeholder pressures related to small business environmental performance, Hillary found that few customers were interested in the environmental performance of small businesses, possibly because they also believe that the small business impact on the environment is negligible (Hillary, 2000b). Stakeholder pressures for environmentally responsible behaviour are thus not always present (Gerrans and Hutchinson, 2000; Holland and Gibbon, 1997), partly explaining the reduced importance given to specific environmental actions. On the other hand, researchers have suggested and found higher employee commitment to the organization and job satisfaction when higher ethical values are present (Hunt et al., 1989; Schwepker, 2001; Turban and Greening, 1996; Valentine et al., 2006). It is obvious that the Proximity of the effects of internal SBSR actions is therefore much higher than external issues such as community involvement and the natural environment.

Finally, Social Consensus also has a different impact on small businesses. Differences in SBSR have been found both in the same culture (Observatory of European SMEs, 2002; Serwinek, 1992; Smith and Oakley, 1994; Teal and Carroll, 1999) and between different cultures (Bucar et al., 2003; Vives et al., 2005). Small firms are influenced and affected by the general value systems which dominate their societal networks in their sector and in the rest of the value chain in which they operate (Arbuthnot, 1997; Tilley, 2000). Norms and pressures from community and peers constitute among the most important internal drivers for ethics (Brown and King, 1982; Petts et al., 1999). The influence of the local business community culture is so strong that a small business owner-manager's personal values developed in youth are displaced by the values of this community (Brown and King, 1982). Based on focus group conversations with small business managers, Vyakarnam et al. could report that:

> "one of the most strongly felt influences was the rules of the 'game' by which one operates in a given industry. There appear to be norms within the sub-culture of the industry which behoves an individual to conflict with it. (...) Other industries have norms around the way prices are set, deals are done and so on. These forces may be stronger influences on an individual than the national culture." (1997, p. 1633).

In summary, these empirical findings indicate that smaller firms do not necessarily recognize fewer issues, but recognize and experience different issues than larger firms. Small size results in different visibility of issues to both the business and its constituents, diminishes the sense of impact on society and the natural environment and increases the power of peer pressure within a certain industry. The imperative for socially responsible action is therefore mostly felt with regard to internal stakeholders and in a much lower level with regard to external stakeholders and the natural environment compared to larger firms.

Personal characteristics

As owner-managed small businesses depend on the owner-manager for their management, an analysis of the peculiarities of small business owner-managers is germane to understanding the size–SBSR relationship. Contributions on the relationship between personal characteristics and socially responsible behaviour are dominated by two substreams. The first associates some typical personality traits of entrepreneurs with responsible behaviour. The second relates the general position of the owner-managers in a small business with regard to his or her possibility to interpret and act upon SBSR issues.

Entrepreneurship and ethics

Recently, we have seen great theoretical advances on the relationship between entrepreneurship and ethics. Especially the works by Solymossy and Masters (2002), Morris et al. (2002) and Longenecker et al. (2006) have added insight to the theory on the entrepreneurial antecedents of SBSR decision-making. Although Solymossy and Masters postulated, "the similarities between the predictors of entrepreneurship and of ethical behaviour are striking" (2002: p. 235), their analysis and that of Longenecker et al. (2006) also indicate that entrepreneurial traits are not necessarily always associated with more ethical behaviour. While entrepreneurship may yield new jobs, innovations and economic growth (Audretch, 2002), the entrepreneurial act may also be allocated to such activities as rent seeking or even crime (Baumol, 1990), or may result in innovations that pose new ethical problems to society (Hannafey, 2003). The entrepreneurial traits that have been used to explain these contradictory results are locus of control, need for achievement, tolerance of ambiguity, Machiavellism and Cognitive Moral Development (Longenecker et al., 2006; Morris et al., 2002).

Entrepreneurs are said to have an internal locus of control, a high sense of control over the events in their environment (Shaver and Scott, 1991). Although a number of studies report a positive relationship between an internal locus of control and ethical behaviour (McCuddy and Peery, 1996; Yurtsever, 2003; Zahra, 1989), others were inconclusive (Hegarty and Sims, 1978). Similarly, a high need for achievement has been identified as a typical entrepreneurial trait (McClelland, 1961) and has been associated with ethical decision-making (McClelland, 1961), but only as far as the need for achievement does not involve a trade-off between ethical behaviour and some other entrepreneurial goal (Longenecker et al., 2006). As many ethical situations are ambiguous and ask for a careful balance of interests (Hannafey, 2003), tolerance for ambiguity, the ability to respond positively to ambiguous situations (Teoh and Foo, 1997), has equally been related to ethical behaviour (Morris et al., 2002). Machiavellism, the act of influencing others to further a personal goal has only been found to have a negative influence on ethical decision-making aspects (Yurtsever, 2003). Finally, some evidence exists that the Cognitive Moral Development (Kohlberg, 1969), the level of cognitive skills that guide moral decision-making, is a fraction higher among entrepreneurs than among others (Teal and Carroll, 1999). This would suggest that entrepreneurs are more likely to have higher ethical standards to begin with. In summary, results on the links between entrepreneurship and ethical behaviour are rather inconclusive. Entrepreneurship may be a convenient machinery for those people wishing to act in ethical ways, but is no guarantee that ethical behaviour will be deployed.

Despite the interesting insights the works of Solymossy and Masters (2002) and Longenecker et al. (2006) have given, their focus is on entrepreneurs, a very specific type of small business owner-manager (Carland et al., 1984; Smith and Miner, 1983). They fit the definition of the "opportunistic entrepreneur", who exhibits "breadth in education and training, high social awareness and involvement, confidence in their ability to deal with the social environment, and an awareness of, and orientation to, the future" (Smith and Miner, 1983: p. 326). At the other end of the spectrum is the "craftsman entrepreneur", characterized by "narrowness in education and training, low social awareness and involvement, a feeling of incompetence in dealing with the social environment, and a limited time orientation" (Smith and Miner, 1983: p. 326). As Deeks (1973) suggested, only maybe one out of ten small businesses owner-managers may be an entrepreneur of the former type. In reality, most owner-managers will show features that position them somewhere in between those two ends of the spectrum. Restricting personality characteristics of small business owner-managers to those of entrepreneurs would therefore be a mistake. In the following section, we will expand our analysis to the stereotypical characteristics of the small business owner-manager.

Characteristics of small business owner-managers

Small business owner-managers are often depicted as having a permanent lack of time and a lack of (specialized) knowledge.

> "In small firms the entrepreneur often participates intensively in day to day production, on the shop floor. As a result, his time is extremely scarce. (...) Small firms will in majority have no specialized staff for finance, personnel or marketing, and certainly not for legal affairs." (Nooteboom, 1994: p. 288).

The results on the impact of time on SBSR are well documented and also unanimous: small businesses that experience a lack of time are less likely to engage in SBSR practices (BITC, 2002; Gerstenfeld and Roberts, 2000; Hitchens et al., 2005; Hunt, 2000; Schaper, 2002). Likewise, the lack of knowledge about SBSR issues among small business owner-managers has been described extensively (del Brío and Junquera, 2003; Gerstenfeld and Roberts, 2000; Holland and Gibbon, 1997; Hunt, 2000; Ludevid Anglada, 2000; Observatory of European SMEs, 2002; Tilley, 1999). However, those firms that delegate responsibilities and create an empowering and learning environment for SBSR seem to circumvent these time constraints (Petts et al., 1999). More networked firms also experience fewer problems with time and knowledge (BITC, 2002; Hunt, 2000; Meredith, 2000; Noci and Verganti, 1999).

Time

In the context of SBSR, a lack of time becomes a problem when it results in a deficiency of "discretionary slack" – the latitude for managerial discretion to reduce internal or external pressures, resulting from excess time and resources (Sharfman et al., 1988; Sharma, 2000; Spence, 1999). Discretionary slack has been identified as an important antecedent for innovative and environmental behaviour (Bourgeois, 1981; Bowen, 2002; Sharma, 2000). Slack discretionary resources allow firms to look for information that is not necessarily problem related, may allow firms to innovate in projects that do not require an immediate pay-off, may allow experimentation with new innovations or simply to reflect and learn on current processes (Bowen, 2002). Those owner-managers that are occupied with "firefighting" operational problems or are reluctant to delegate discretionary responsibilities to employees are most likely characterized by lower levels of discretionary slack, often with an incomplete understanding of social responsibilities and its opportunities as a result.

Knowledge

Small business managers are often responsible for a wide variety of tasks in the company (from operational to strategic), with a lack of functional specialization and expertise as a result (Verhees and Meulenberg, 2004). Such knowledge, skills and experience are not only key to the performance of the firm in the short-term (Barney, 1991), but they also have an impact on the absorptive capacity of the firm – the ability to recognize and exploit opportunities from outside the firm (Cohen and Levinthal, 1990). Many small business managers simply have no time to collect the large amounts of information that are available to them, scan the impact they might have on stakeholders or the environment in the long or the short run, interpret this information and find the necessary business solutions (Shrader et al., 1989;

Smeltzer et al., 1988). Moreover, knowledge in organizations exists in both explicit (transmittable in formal, systemic language) and implicit (personal, hard to communicate or formalize) forms (Nonaka, 1994). In small businesses, knowledge is predominantly present in implicit ways, based on experience (learning by doing) and often only in the head of the owner-manager (Nooteboom, 2004). For such knowledge it is much harder to formulate and accept criticism and engage in "higher order learning" – to deploy corrective action that changes the norms and the underlying principles that guide organizational behaviour (Argyris and Schön, 1978). Interestingly, the lack of knowledge often exists despite abundance in information (Gerstenfeld and Roberts, 2000; Hitchens et al., 2005; Hunt, 2000), suggesting that the lack of knowledge is not only a contextual consequence, but also a result of the cognitive limitations of the human brain. Indeed, small business owner-managers are typified by increased bounded rationality problems (Nooteboom, 1994; Simon, 1982) in three dimensions: width (fewer functional areas in employees), depth (lower overall level of education) and variety (dominance of the personal perspective of the owner-manager). The latter, variety dimension relates to the strong relationship that an owner-manager has with his or her business. Such commitment may either result in a persevering or a stubborn way of dealing with SBSR issues, limiting the variety of knowledge inputs that are addressed. On the one hand, personal commitment gives the small business an advantage to deploy SBSR behaviour and act upon the knowledge and vision it stands for (Hannafey, 2003). However, it may put the small business in a less favourable position, when such commitment results in stubborn and self-centred behaviour, not allowing anyone in the firm to disagree or to be included in decision-making (Baron, 1998; Petts et al., 1999) or to be blind from their stakeholders' wishes or suggestions (Vandekerckhove and Dentchev, 2005).

However, businesses that are engaged in network structures increase their absorptive capacity (Atherton, 2003; Meredith, 2000). The mere effect of interacting with peers on production methods and business challenges is often a first step in externalizing implicit knowledge and organizational learning (Brown and Duguid, 1991). In addition, networks increase the availability of new information and knowledge to build the mental models that are potentially more in line with reality. As a result, networks have been cited not only as key media through which SMEs can learn on a wide variety of topics (Hoang and Antoncic, 2003), but also as the locus of new knowledge creation (Inkpen and Tsang, 2005).

We conclude that the specific position and personality characteristics of small business owner-managers do have an influence on SBSR behaviour. The effect and direction on SBSR behaviour, however, depends on the type of owner-manager. Small businesses owner-managers characterized by low levels of discretionary slack, limited absorptive capacities and reduced network relationships will less likely recognize SBSR issues or act upon them. Conversely, in the case that small business owner-managers can develop capabilities that create discretionary slack, allow organizational learning and build network relationships, then time and knowledge constraints will be greatly reduced. Also, small business owner-managers that have established intent for SBSR behaviour, will be more effective in the case they possess such entrepreneurial traits as need for achievement, internal locus of control and tolerance for ambiguity.

Organizational characteristics

As was suggested by Dean et al. (1998), small and large firms possess fundamentally different resources and capabilities. Relative to their larger counterparts, management literature typically describe small businesses as having less access to resources and being less powerful (Aldrich and Auster, 1986; Carson et al., 1995; Chen and Hambrick, 1995; Dean et al., 1998; Nooteboom, 1994; Welsh and White, 1981). Although these characteristics have often lead researchers to conclude that small business would have a reduced possibility to engage in SBSR practices, our analysis will show that some caution is required. Again, contradictory evidence exists with regard to the relationship between the organizational characteristics of small businesses and SBSR.

Resource poverty

Besides the time and knowledge constraints that were mentioned before, small business owner-managers cite a lack of financial resources as one of the most important barriers for engaging in SBSR (Hillary, 2000b; Hitchens et al., 2005; Ludevid Anglada, 2000; Observatory of European SMEs, 2002; Vives et al., 2005). However, firms demonstrating a higher environmental performance were not always found with more internal financial resources (Hitchens et al., 2005; Schaper, 2002) or to experience financial constraints (BITC, 2002). Several reasons exist to explain these conflicting streams of evidence.

Evidence that confirms the financial resources barrier uses arguments related to cost considerations, investment prioritization and the burden of systemic innovations. First, in the minds of most small business owner-managers, SBSR activities are perceived as costs that will result in competitive disadvantage (Gerstenfeld and Roberts, 2000; Ludevid Anglada, 2000; Tilley, 1999). In addition, relative to their larger counterparts, small businesses have fewer opportunities to reap the benefits of economies of scale, scope and learning (Nooteboom, 1994), increasing the relative burden of these costs. Second, small businesses often experience immediate cash needs that do not allow them to build up large financial reserves, with a lack of slack financial resources as a result. A small business owner-manager may want to invest in employee training, community development or environmental technologies, but postpone such investments because of other investments or business needs which pose a more important and immediate need in the strategic or operational activities of the firm (Ludevid Anglada, 2000). "Business is not bad, it is just difficult – and in difficult times, the first goal of a business is to survive" (Fassin, 2005: p. 269). Larger firms, on the contrary, often possess slack financial resources or easier access to external resources to finance such investments, allow workflow buffers or to employ teams specialized in CSR issues (Bourgeois, 1981; Bowen, 2002; Nohria and Gulati, 1996). Third, social or environmental problems sometimes require a systemic change either within a company or across a number of organizations to solve them. The costs and the risk for investing in solutions may consequently be too large for one firm to carry (Fountain, 1999; Tilley, 1999) and it might not be able to get loans or support from financial institutions because of this.

By contrast, several explanations exist that challenge the financial arguments used by small businesses to defend their low SBSR activity. First, cash limitations are only experienced when SBSR actions would require financial resources. Increased SBSR is not necessarily associated with higher costs. Higher financial performance has been found in association with green performance (Clemens, 2006; Schaltegger and Synnestvedt, 2002). Second, companies that integrate SBSR in their overall strategy may not experience SBSR as an "add-on" and therefore they do not perceive SBSR as an extra cost (Vives et al., 2005), but rather as a cost advantage (Christmann, 2000). This is in line with the small business management literature indicating that a single-minded focus in strategy and resilience positively influences performance (Ebben and Johnson, 2005; Nicholson, 1998). Finally, slack resources may also result in satisficing behaviour (Bourgeois, 1981; Simon, 1982), preferring for example existing routines above environmental and more cost-efficient strategies (Bowen, 2002).

Although these streams of evidence present different opinions, they can nevertheless be integrated into one argument. Just as larger businesses, small business will experience limited financial constraints with those SBSR actions that have immediate returns or are strategically integrated in the management of the firm. However, due to a lack of (slack) financial resources, small businesses will experience more difficulty than larger firms to engage in SBSR actions that have no immediate return, require systemic changes or are boundary spanning. As a result, even proactive small firms experience a lack of financial resources as a constraining factor (Palmer, 2000).

Power

Smaller size often results in lower negotiation power and leverage to modify environmental forces in the market, with their suppliers and in politics (Porter, 1980). In the context of SBSR, this lack of power is a problem when the small business depends on other actors to engage in SBSR activity itself.

First, besides the effect of peer pressure on the recognition of responsibility issues, the small size of a business may also hamper it to actively go against generally accepted norms in an industry. Small business owner-managers generally perceive themselves to be more ethical than their peers (Ludevid Anglada, 2000; Tilley, 2000; Vitell et al., 2000). In the situation that SBSR action would increase production costs, then going against this dominant culture in a sector, with the danger of free-riding behaviour by their competitors, might be a considerable hindrance in taking socially responsible action (Vyakarnam et al., 1997).

Similarly, the CSR behaviour of a small business's partners in the supply chain has a major impact on small business behaviour itself (Arbuthnot, 1997; Dawson et al., 2002). Clearly, this depends on the size and power of such constituents and whether they adopt a CSR strategy or not. The stimulating effect of large customers setting responsibility targets for their smaller suppliers has been widely acknowledged (BITC, 2002; Gerstenfeld and Roberts, 2000; Hunt, 2000; Noci and Verganti, 1999). Conversely, irresponsible behaviour by larger customers impedes small businesses to engage in SBSR practices themselves:

> "Heroic resistance to an oppressive power is the province of the students at Tiananmen Square, not the businessfolk in the capitalist societies the students risk their lives to emulate. Businesspeople do not stand on principle when it comes to dealing with abusers of power and trust. You have to adjust, we were told. If we dealt only with customers who share our ethical values, we would be out of business." (Bhide and Stevenson, 1990: p. 124)

The sustainability of a business's products may also depend on the characteristics of its resources, for which it may rely on suppliers in the market. If there are no players in the market that supply sustainable resources, this might be a situation that a small business cannot change by itself (Noci and Verganti, 1999). Likewise, when socially responsible action would require the cooperation of all players in the supply chain (e.g., closing material loops through waste recycling), SBSR action is only possible when parties up- and down-stream of the supply chain are also willing to engage in such practices (Noci and Verganti, 1999). Larger businesses then have more leverage to instigate socially responsible behaviour among their constituents.

Finally, due to their limited individual political significance in terms of job creation or general social power, influencing political decision-making is limited (Hillman and Hitt, 1999). Not only do larger firms have more leverage, but they also have more resources they can dedicate to actively contribute in the policy making process (Bourgeois, 1981; Meznar and Nigh, 1995). Such political power is important when small firms want to aid in public policy making, for example to establish a 'level playing field' not only among peers, but also among players in the supply chain. When it comes to resolving boundary spanning social problems, small businesses expect a considerable role from the government in setting a 'level playing field' for all business, giving indications on environmental standards or guidelines (Ludevid Anglada, 2000; Tilley, 2000), rather than relying on voluntary self-regulation (Petts et al., 1999; Tilley, 2000). Small business therefore often work through employers' organizations or branch organizations that often do have an institutionalized place in the policy decision-making process (Doh and Guay, 2006; Hillman and Keim, 1995). As we will further argue, these organizations thus have a considerable responsibility for the SBSR of their members as well.

In summary, we therefore conclude that due to a lack of power, small businesses will be more dependent upon the social responsibility behaviour of their constituents than larger firms.

Context characteristics

Although context factors have been mentioned as important moderating factors of the size–SBSR relationship throughout our paper, there are three contextual factors that are of particular importance: external stakeholder pressures, the socio-economic context and the institutional environment.

External stakeholder pressures

The importance of stakeholder pressures on SBSR behaviour has already been mentioned several times in this paper. It has been demonstrated that smaller firms face stakeholder pressures distinct from larger firms. However, the relationship between external stakeholder pressures and size has not been addressed yet. Due to their larger size, large enterprises would be more visible and experience more scrutiny from the general public, with increased institutional pressures as a result (Brammer and Millington, 2006; Greening and Gray, 1994; Henriques and Sadorsky, 1996; Meznar and Nigh, 1995; Oliver, 1991). Yet, findings on the relationship between organizational size, visibility and SBSR behaviour yields diverging results. Bowen (2000) observed that the visibility of an organization – whether it can be seen by its relevant constituents or not – is not determined by organizational size alone. Rather, the size–visibility relationship is moderated by the community in which the business operates and the type of business it is in. Smith and Oakley (1994), for example, found that entrepreneurs in nonurban areas were less accepting ethically questionable behaviours than those in urban areas. Businesses that were active in smaller communities were therefore found to develop more responsible behaviour (Bowen, 2000). By contrast, businesses that have no such relationship with the local community may choose to operate in stealth mode (Chen and Hambrick, 1995) and remain invisible to the general public as a competitive strategy or avoid institutional pressures from the public.

Yet, in the situation that a small business chooses to be visible and reap the benefits of a good market reputation (Fombrun and Shanley, 1990), it may lack the size to really capitalize on brand names or product reputation and "market" its environmental or social performance (Spence et al., 2000). Although it is often assumed that the small business maintains direct and dyadic relationships with its stakeholders, many stakeholder interests are not communicated directly to the individual firm, but through a web of influences at different levels in society (Rowley, 1997). It is often only the branch organization that receives the demands and expectations from NGOs and other pressure groups in society. Reputation may thus not be formed thus at the level of the individual firm, but at sector or country level. As a result, small businesses may be saved from scrutiny and individual punishment when they refuse to take their social responsibility, but also be unable to reap the benefits of an improved reputation as a result.

In summary, whether smaller size results in diminished organizational visibility greatly depends on the context the business is operating in. Those small business that are characterized by higher levels of organizational visibility will receive more scrutiny and information from their stakeholders and will therefore engage more in SBSR. In addition, they will have more opportunities to capitalize on the benefits of being socially responsible.

Socio-economic context

Based on their comparative analysis of the external social responsibility activity of 7662 European and 1330 Latin American SMEs, Vives et al. (2005) suggested that a country's general welfare level has an impact on SBSR activity. Whereas Latin American small businesses demonstrated more SBSR activity in general, efforts were also predominantly directed towards disfavoured groups in society, rather than sponsoring sports or cultural activities in Europe. Moreover, a lack of financial resources was a more important barrier than the lack of time. They found an explanation for these differences in the higher presence of poverty in Latin American societies. This is in contrast, however, with the results as found in the Observatory's study, showing that the highest involvement was found in Northern countries such as Finland, Denmark, Iceland and Norway. The lowest percentages of involvement were found in lower welfare countries such as Spain and Greece. Here, different public welfare traditions, the differing role businesses are attributed in society and different cultures were proposed as possible explanations (Observatory of European SMEs, 2002). However, except for a few exceptions, higher SBSR levels are consistently associated with larger size in both parts of the world. Based on these findings, we conclude that it is not possible yet to determine how the socio-economic context influences the way smaller business take SBSR action.

Institutional environment

The literature on SBSR is consistent on the peculiar institutional needs of small business on at least three aspects. First, small businesses want a government to set a 'level playing field' for all businesses with regard to SBSR issues and are sceptical towards self-regulatory mechanisms. Not only do they distrust the ethics of their peers (Ludevid Anglada, 2000; Tilley, 2000; Vitell et al., 2000), but they are also "vulnerably compliant" – compliance with the law is more good luck than good judgement (Petts et al., 1999). Such policies are, however, difficult to align with the emphasis that has been put on the voluntary nature of CSR (EMSF, 2004; European Commission, 2001). A second stream of literature has therefore suggested that policy initiatives should be directed through existing channels that small businesses already know and trust (BITC, 2002; Castka et al., 2004; EMSF, 2004; Grayson, 2003). Especially, the development of industry organization and small business supporting systems is critical in the level of socially responsible behaviour (de Bruijn and Lulofs, 2000; Spence et al., 2000). Finally, as was mentioned before, industry culture is a very important conditioning factor for SBSR. Industrial organizations therefore have a responsibility to create a sense of shared responsibility, joint institutions for collective responsibility taking and to steer "cowboys" to more SBSR behaviour (de Bruijn and Lulofs, 2000; Ludevid Anglada, 2000; Spence et al., 2000).

We conclude that industrial and branch organizations, by providing the information channels and meeting fora that small business trust and by creating a shared responsibility among peers, will be more important drivers for socially responsible action among small business than they will be among larger business.

Discussion and conclusion

Although there is both anecdotal evidence and theoretical logic to argue that being a small business does not necessarily impede SBSR behaviour, we cannot ignore the compelling evidence in the studies by Vives et al. (2005) and the European Observatory of SMEs (2002) that there is a relationship between size and socially responsible behaviour. What has become clear from our analysis is that the contradictory evidence does not negate the idiosyncratic difficulties of small businesses in taking their social responsibility, but it indicates that the size–SBSR relationship also depends on a large number of conditions. Such a conclusion is important, as the result of our critical assessment helps to identify ways for small business owner-managers and their constituents to overcome the problems they encounter in the context of SBSR. We see at least four areas where this is possible.

The first and most important conclusion we draw is that most small business do not recognize specific social responsibility issues. More important than the practical barriers to engage in SBSR activities are the cognitive processes that forego such actions. If an issue is not recognized, than the likelihood of SBSR action is very low. The SBSR literature identifies both differing issue characteristics and limited cognitive capabilities as the most important antecedents of this low issue recognition. Our analysis has shown, however, that those owner-managers who are able to increase their discretionary slack, absorptive capacity and their knowledge by engaging in networks and delegating responsibilities, are more likely to both recognize responsibility issues and ways to contribute in resolving them.

Second, the case for a culture of shared responsibility and the creation of institutions for joint responsibility taking is compelling. Not only does it increase the recognition of responsibility issues by giving small business owner-managers a sense that their contribution has a noticeable effect in the resolution of responsibility issues, but also provides opportunities for joint learning, risk sharing, overcoming scale disadvantages and getting access to resources.

Third, we have seen evidence that entrepreneurship itself is no guarantee for responsible behaviour. However, those small business owner-managers that have established intent to engage in SBSR activities will benefit from entrepreneurial features both in finding opportunities and engaging stakeholders.

Finally, due to a lack of (slack) financial resources, small businesses will experience more difficulty than larger firms to engage in SBSR actions that have no immediate return, require systemic changes or are boundary spanning. Likewise, due to a lack of power, small businesses will depend more on the social responsibility behaviour of their constituents than larger firms. However, those firms that are able to integrate SBSR in their strategic management, focus on win–win situations that result in returns, and increase their organizational visibility, will partly be able to overcome such constraints.

In summary, we conclude that small businesses, in general, will experience more difficulties than their larger counterparts when engaging in socially responsible action. Barriers will be especially experienced with regard to those issues involving external stakeholders or the natural environment. Such a conclusion is important, because it implies that small businesses will only partly be able to undertake their social responsibility in isolation. There are two ways of interpreting this conclusion. One way would be to conclude that we should not bother small businesses with CSR issues, because they are just not made up for the challenge. We should then reformulate our normative propositions on the social responsibility of the smaller firm and bring the locus of their responsibility to a different level, for example at the level of the government. Small businesses in the U.K. seem to be in favour of this approach, indicating that they consider it to be "the Government's responsibility to communicate environmental values, to establish a code of environmental conduct and to provide a benchmark of acceptable environmental standards for the business sector. The Government was expected to take a leadership role concerning the environment." (Tilley, 2000: p. 37)

A second interpretation would be that if small businesses have difficulty taking social responsibility by themselves, individual SBSR should be complemented with a culture of shared responsibility. Despite the clear responsibility this puts in the hands of industry organizations and government, shared responsibility thus still involves an individual business responsibility. The locus of responsibility is not only at the level of the government or industrial organizations, but remains at the level of the individual small business as well. In order to overcome the difficulties that a small business experiences in taking responsibility by itself, the owner-manager should become active on a level higher than the individual firm. Thus, in addition to creating jobs, economic growth and picking the 'low hanging fruit of SBSR', small business owner-managers can become more effective in SBSR action by actively seeking partners in the market, government, society or the entire supply chain and by developing the capabilities that will take away the barriers they experience for SBSR action.

As an implication for small business owner-managers, our analysis offers the opportunity to reconsider both descriptive and normative assessments of SBSR. As engaging effectively in social and environmental practices is difficult from the perspective of the small business and involves a collective effort from a wide range of stakeholders, small business are advised to seek cooperation or network contacts with stakeholders and peers to overcome these difficulties. A normative extension of SBSR theory could therefore be that, as in some situations a small business cannot take its responsibility by itself, it *should* take action on a collective level. More specifically, it relates to the question whether we accept or not that a small business uses its lack of resources as an excuse for its limited socially responsible action.

The results of our research provide direction for future study. Where the current research has primarily focused on the explanatory factors for small business social behaviour in a static way, there is a growing need to investigate the dynamics of SBSR. Particularly the factors internal and external to the small business that influence change processes towards more SBSR behaviour need further development. A priority in this regard is to research how managerial capabilities that increase networking, collaboration and responsibility delegation aid in the development of organizational slack and SBSR action. Also, those capabilities that allow small businesses to effectively address resources across the boundaries of their organization need further development. In addition, increasing the knowledge on the critical success factors of governmental or industrial organizational initiatives aimed at creating shared responsibilities would be beneficial to small business owner-managers, policy makers and academics. With regard to the latter, the findings of such research may also be useful to the wider CSR theory development. In summary, there are a number of interesting avenues for future research. We believe that our review can provide the basis on which such further research can build.

Acknowledgements

This paper was presented at the 2005 Durham University conference on "Small and Medium

Sized Enterprises and Corporate Social Responsibility: Identifying the knowledge gaps". We wish to thank the participants of this conference, Bart Nooteboom, Mirjam Knockaert, Annick Willem and two anonymous reviewers for their helpful comments and suggestions to improve this paper. The Policy Research Centre for Sustainable Agriculture is gratefully acknowledged for the opportunity to carry out this research.

References

Adams, M. and P. Hardwick: 1998, 'An Analysis of Corporate Donations: United Kingdom Evidence', *Journal of Management Studies* **35**(5), 641–654.

Aldrich, H. and E. Auster: 1986, 'Even Dwarfs Started Small: Liabilities of Age and Size and Their Strategic Implications', *Research in Organizational Behavior* **8**(2), 165–198.

Arbuthnot, J. J.: 1997, 'Identifying Ethical Problems Confronting Small Retail Buyers During the Merchandise Buying Process', *Journal of Business Ethics* **16**(7), 745–755.

Argyris, C. and D. A. Schön: 1978, *Organizational Learning: A Theory of Action Perspective* (Addison-Wesley, Reading, MA).

Atherton, A.: 2003, 'The Uncertainty of Knowing: An Analysis of the Nature of Knowledge in a Small Business Context', *Human Relations* **56**(11), 1379–1398.

Audretch, D. B.: 2002, *Entrepreneurship: A survey of the Literature* (Institute for Development Strategies Indiana, University & Centre for Economic Policy, London).

Barney, J. B.: 1991, 'Firm Resources and Sustained Competitive Advantage', *Journal of Management* **17**(1), 99–120.

Baron, R. A.: 1998, 'Cognitive Mechanisms in Entrepreneurship: Why and When Entrepreneurs Think Differently Than Other People', *Journal of Business Venturing* **13**(4), 275–294.

Baumol, W. J.: 1990, 'Entrepreneurship: Productive, Unproductive and Destructive', *Journal of Political Economy* **98**(5), 893–921.

Besser, T. L.: 1999, 'Community Involvement and the Perception of Success Among Small Business Operators in Small Towns', *Journal of Small Business Management* **37**(4), 16–29.

Bhide, A. and H. H. Stevenson: 1990, 'Why Be Honest If Honesty Doesnt Pay', *Harvard Business Review* **68**(5), 121–129.

BITC: 2002, *Engaging SMEs in Community and Social Issues* (Business in the Community, London).

Bourgeois, L. J.: 1981, 'On the Measurement of Organizational Slack', *Academy of Management Review* **6**(1), 29–39.

Bowen, F. E.: 2000, 'Environmental Visibility: A Trigger of Green Organizational Response?', *Business Strategy and the Environment* **9**(2), 92–107.

Bowen, F. E.: 2002, 'Organizational Slack and Corporate Greening: Broadening the Debate', *British Journal of Management* **13**(4), 305–316.

Brammer, S. and A. Millington: 2006, 'Firm Size, Organizational Visibility and Corporate Philanthropy: an Empirical Analysis', *Business Ethics: A European Review* **15**(1), 6–18.

Brown, D. J. and J. B. King: 1982, 'Small Business Ethics: Influences and Perceptions', *Journal of Small Business Management* **20**(1), 11–18.

Brown, J. S. and Duguid, P. (1991). 'Organizational Learning and Communities-Of-Practice: Toward a Unified View of Working, Learning and Innovation', *Organization Science* **2** (1 (Special Issue: Organizational Learning: Papers in Honor of (and by) James G. March)), 40–57.

Bucar, B., M. Glas and R. D. Hisrich: 2003, 'Ethics and Entrepreneurs: An International Comparative Study', *Journal of Business Venturing* **18**(2), 261–281.

Carland, J. W., F. Hoy, W. R. Boulton and J. A. C. Carland: 1984, 'Differentiating Entrepreneurs From Small Business Owners: A Conceptualization', *Academy of Management Review* **9**(2), 354–359.

Carson, D., S. Cromie, P. McGowan and J. Hill: 1995, *Marketing and Entrepreneurship in SMEs: An Innovative Approach* (Prentice Hall, London).

Castka, P., M. A. Balzarova, C. J. Bamber and J. M. Sharp: 2004, 'How Can SMEs Effectively Implement the CSR Agenda? A U.K. Case Study Perspective', *Corporate Social Responsibility and Environmental Management* **11**(3), 140–149.

Chau, L. L. and W. Siu: 2000, 'Ethical Decision-Making in Corporate Entrepreneurial Organizations', *Journal of Business Ethics* **23**(4), 365–375.

Chen, M.-J. and D. C. Hambrick: 1995, 'Speed, Stealth, and Selective Attack: How Small Firms Differ From Large Firms in Competitive Behaviour', *Academy of Management Journal* **38**(2), 453–482.

Christmann, P.: 2000, 'Effects of "Best Practices" of Environmental Management on Cost Advantage: The Role of Complementary Assets', *Academy of Management Journal* **43**(4), 663–680.

Clemens, B.: 2006, 'Economic Incentives and Small Firms: Does It Pay to Be Green?', *Journal of Business Research* **59**(4), 492–500.

Cohen, W. M. and D. A. Levinthal: 1990, 'Absorptive Capacity: A New Perspective on Learning and Innovation', *Administrative Science Quarterly* **35**(1), 128–152.

Curran, J. and R. A. Blackburn: 2001, *Researching the Small Enterprise* (Sage, London).

d'Amboise, G. and M. Muldowney: 1988, 'Management Theory for Small Business – Attempts and Requirements', *Academy of Management Review* **13**(2), 226–240.

Dandridge, T. C.: 1979, 'Children Are Not "Little Grown-Ups": Small Business Needs Its Own Organizational Theory', *Journal of Small Business Management* **17**(2), 53–57.

Dawson, S., J. Breen and L. Satyen: 2002, 'The Ethical Outlook of Micro Business Operators', *Journal of Small Business Management* **40**(4), 302–313.

de Bakker, F. G. A. , P. Groenewegen and F. den Hond : 2005, 'A Bibliometric Analysis of 30 Years of Research and Theory on Corporate Social Responsibility and Corporate Social Performance', *Business & Society* **44**(3), 283–317.

de Bruijn, T. and K. Lulofs: 2000, 'Driving Small and Medium-sized Enterprises Towards Environmental Management: Policy Implementation in Networks', in R. Hillary (ed.), *Small and Medium-Sized Enterprises and the Environment* (Greenleaf, Sheffield), pp. 263–274.

Dean, T. J., R. L. Brown and C. E. Bamford: 1998, 'Differences in Large and Small Firm Responses to Environmental Context: Strategic Implications From a Comparative Analysis of Business Formations', *Strategic Management Journal* **19**(8), 709–728.

Deeks, J.: 1973, 'The Small Firm – Asset or Liability', *Journal of Management Studies* **10**(1), 25–47.

del Brío, J. A. and B. Junquera: 2003, 'A Review of the Literature on Environmental Innovation Management in SMEs: Implications for Public Policies', *Technovation* **23**(12), 939–948.

Doh, J. P. and T. R. Guay: 2006, 'Corporate Social Responsibility, Public Policy, and NGO Activism in Europe and the United States: An Institutional-Stakeholder Perspective', *Journal of Management Studies* **43**(1), 47–73.

Ebben, J. J. and A. C. Johnson: 2005, 'Efficiency, Flexibility, or Both? Evidence Linking Strategy to Performance in Small Firms', *Strategic Management Journal* **26**(13), 1249–1259.

EMSF: 2004, Report of the Round Table on 'Fostering CSR among SMEs'.

European Commission: 2001, *Promoting a European framework for corporate social responsibility: Green paper* (Office for Official Publications of the European Communities, Luxembourg).

European Commission: 2003a, *Green Paper Entrepreneurship in Europe* (European Commission, Brussels).

European Commission: 2003b, *Responsible Entrepreneurship. A Collection of Good Practice Cases Among Small and Medium-sized Enterprises across Europe* (Office for Official Publications of the European Communities, Luxembourg).

Fassin, Y.: 2005, 'The Reasons Behind Non-Ethical Behaviour in Business and Entrepreneurship', *Journal of Business Ethics* **60**(3), 265–279.

Fombrun, C. and M. Shanley: 1990, 'What's In a Name? Reputation Building and Corporate Strategy', *Academy of Management Journal* **33**(2), 233–258.

Fountain, J. E.: 1999, 'Social Capital: A Key Enabler of Innovation', in L. M. Branscomb and J. H. Keller (eds.), *Investing in Innovation. Creating a Research and Innovation Policy That Works*, First MIT Press paperback edition (MIT Press, Cambridge, MA), pp. 85–111.

Gerrans, P. and B. Hutchinson: 2000, 'Sustainable Development and Small to Medium-sized Enterprises: A Long Way to Go', in R. Hillary (eds.), *Small and Medium-Sized Enterprises and the Environment* (Greenleaf, Sheffield), pp. 75–81.

Gerstenfeld, A. and H. Roberts: 2000, 'Size Matters: Barriers and Prospects for Environmental Management in Small and Medium-sized Enterprises', in R. Hillary (eds.), *Small and Medium-Sized Enterprises and the Environment* (Greenleaf, Sheffield, U.K.), pp. 106–118.

Grayson, D.: 2003, *Inspiration – Successfully Engaging Europe*'s Smaller Businesses in Environmental and Social Issues (The Copenhagen Centre, Copenhagen).

Greening, D. W. and B. Gray: 1994, 'Testing A Model of Organizational Response to Social and Political Issues', *Academy of Management Journal* **37**(3), 467–498.

Hannafey, F. T.: 2003, 'Entrepreneurship and Ethics: A Literature Review', *Journal of Business Ethics* **46**(2), 99–110.

Hegarty, W. H. and H. P. Sims: 1978, 'Some Determinants of Unethical Decision Behavior – Experiment', *Journal of Applied Psychology* **63**(4), 451–457.

Henriques, I. and P. Sadorsky: 1996, 'The Determinants of an Environmentally Responsive Firm: An Empirical Approach', *Journal of Environmental Economics and Management* **30**(3), 381–395.

Hillary, R.: 2000a, *Small and Medium-Sized Enterprises and the Environment* (Greenleaf, Sheffield, UK.).

Hillary, R.: 2000, 'The Eco-Management and Audit Scheme, ISO 14001 and the Smaller Firm', in R. Hillary (eds.), *Small and Medium-Sized Enterprises and the Environment* (Greenleaf, Sheffield, U.K.), pp. 128–147.

Hillman, A. and M. A. Hitt: 1999, 'Corporate Political Strategy Formulation: A Model of Approach, Participation, and Strategy Decisions', *Academy of Management Review* **24**(4), 825–842.

Hillman, A. and G. D. Keim: 1995, 'International Variation in the Business–Government Interface: Institutional and Organizational Considerations', *Academy of Management Review* **20**(1), 193–214.

Hitchens, D., S. Thankappan, M. Trainor, J. Clausen and B. De Marchi : 2005, 'Environmental Performance, Competitiveness and Management of Small Businesses in Europe', *Tijdschrift Voor Economische En Sociale Geografie* **96**(5), 541–557.

Hoang, H. and B. Antoncic: 2003, 'Network-Based Research in Entrepreneurship. A Critical Review', *Journal of Business Venturing* **18**(2), 165–187.

Holland, L. and J. Gibbon: 1997, 'SMEs in the Metal Manufacturing, Construction and Contracting Service Sectors: Environmental Awareness and Actions', *Eco-Management and Auditing* **4**(1), 7–14.

Hornsby, J. S., D. F. Kuratko, D. W. Naffzigger, W. R. La Follette and R. M. Hodgetts: 1994, 'The Ethical Perceptions of Small Business Owners: A Factor Analytic Study', *Journal of Small Business Management* **32**(4), 9–17.

Humphreys, N., D. P. Robin, R. E. Reidenbach and D. L. Moak: 1993, 'The Ethical Decision Making Process of Small Business Owner/Managers and Their Customers', *Journal of Small Business Management* **31**(3), 9–23.

Hunt, J.: 2000, 'Environment, Information and Networks: How Does Information Reach Small and Medium-sized Enterprises', in R. Hillary (eds.), *Small and Medium-Sized Enterprises and the Environment* (Greenleaf, Sheffield, U.K.), pp. 194–202.

Hunt, S. D., V. R. Wood and L. B. Chonko: 1989, 'Corporate Ethical Values and Organizational Commitment in Marketing', *Journal of Marketing* **53**(3), 79–90.

Inkpen, A. and E. W. K. Tsang: 2005, 'Social Capital, Networks and Knowledge Transfer', *Academy of Management Review* **30**(1), 146–165.

Jones, T. M.: 1991, 'Ethical Decision Making By Individuals in Organizations: An Issue-Contingent Model', *Academy of Management Review* **16**(2), 366–395.

Kohlberg, L.: 1969, 'Stage and Sequence: The cognitive-developmental approach to socialization', in D. A. Goslin (eds.), *Handbook of Socialization Theory and Research* (Houghton Mifflin, Boston, MA), pp. 347–380.

Lahdesmaki, M.: 2005, 'When Ethics Matters-Interpreting the Ethical Discourse of Small Nature-Based Entrepreneurs', *Journal of Business Ethics* **61**(1), 55–68.

Longenecker, J. G., C. W. Moore, J. W. Petty, L. E. Palich and J. A. McKinney: 2006, 'Ethical Attitudes in Small Businesses and Large Corporations: Theory and Empirical Findings From a Tracking Study Spanning Three Decades', *Journal of Small Business Management* **44**(2), 167–183.

Longenecker, J. G., J. A. McKinney and C. W. Moore: 1989, 'Ethics in Small Business', *Journal of Small Business Management* **27**(1), 27–31.

Ludevid Anglada, M.: 2000, 'Small and Medium-Sized Enterprises' Perceptions of the Environment: A Study from Spain', in R. Hillary (eds.), *Small and Medium-Sized Enterprises and the Environment* (Greenleaf Publishing, Sheffield, U.K.), pp. 61–74.

McClelland, D. C.: 1961, *The Achieving Society* (Van Nostrand, Princeton, NJ).

McCuddy, M. K. and B. L. Peery: 1996, 'Selected Individual Differences and Collegians' Ethical Beliefs', *Journal of Business Ethics* **15**(3), 261–272.

McMahon, J. M. and R. J. Harvey: 2006, 'An Analysis of the Factor Structure of Jones' Moral Intensity Construct', *Journal of Business Ethics* **64**(4), 381–404.

Meredith, S.: 2000, 'Environmental Innovation and Small and Medium-Sized Enterprises', in R. Hillary (eds.), *Small and Medium-Sized Enterprises and the Environment* (Greenleaf, Sheffield, U.K.), pp. 171–182.

Merritt, J. Q.: 1998, 'EM into SME Won't Go? Attitudes, Awareness and Practices in the London Borough of Croydon', *Business Strategy and the Environment* **7**(2), 90–100.

Meznar, M. B. and D. Nigh: 1995, 'Buffer Or Bridge – Environmental and Organizational Determinants of Public Affairs Activities in American Firms', *Academy of Management Journal* **38**(4), 975–996.

Morris, M. H., M. Schindehutte, J. Walton and J. Allen: 2002, 'The Ethical Context of Entrepreneurship: Proposing and Testing a Developmental Framework', *Journal of Business Ethics* **40**(4), 331–361.

Murphy, P. R., J. A. Smith and J. M. Daley: 1992, 'Executive Attitudes, Organizational Size and Ethical Issues: Perspectives on a Service Industry', *Journal of Business Ethics* **11**(1), 11–19.

Nicholson, N.: 1998, 'Personality and Entrepreneurial Leadership: A Study of the Heads of the U.K.'s Most Successful Independent Companies', *European Management Journal* **16**(5), 529–539.

Noci, G. and R. Verganti: 1999, 'Managing 'Green' Product Innovation in Small Firms', *R&D Management* **29**(1), 3–15.

Nohria, N. and R. Gulati: 1996, 'Is Slack Good or Bad for Innovation?', *Academy of Management Journal* **39**(5), 1245–1264.

Nonaka, I.: 1994, 'A Dynamic Theory of Organizational Knowledge Creation', *Organizational Science* **5**(1), 14–37.

Nooteboom, B.: 1994, 'Innovation and Diffusion in Small Firms: Theory and Evidence', *Small Business Economics* **6**(5), 327–347.

Nooteboom, B.: 2004, *Inter-Firm Collaboration, Learning & Networks* (Routledge, London, UK.).

Observatory of European SMEs: 2002, *European SMEs and Social and Environmental Responsibility* (Office for Offical Publications of the European Communities, Luxembourg).

Observatory of European SMEs: 2003, *SMEs in Europe 2003* (European Commission, Brussels).

Oliver, C.: 1991, 'Strategic Responses to Institutional Processes', *Academy of Management Review* **16**(1), 145–179.

Palmer, J.: 2000, 'Helping Small and Medium-Sized Enterprises Improve Environmental Management: Lessons from Proactive Small and Micro Firms', in R. Hillary (eds.), *Small and Medium-Sized Enterprises and the Environment* (Greenleaf, Sheffield, U.K.), pp. 325–342.

Petts, J., A. Herd, S. Gerrard and C. Horne: 1999, 'The Climate and Culture of Environmental Compliance Within SMEs', *Business Strategy and the Environment* **8**(1), 14–30.

Porter, M. E.: 1980, *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (Free Press, New York, NY).

Quinn, J. J.: 1997, 'Personal Ethics and Business Ethics: The Ethical Attitudes of Owner/Managers of Small Business', *Journal of Business Ethics* **16**(2), 119–127.

Rowley, T. J.: 1997, 'Moving Beyond Dyadic Ties: A Network Theory of Stakeholder Influences', *Academy of Management Review* **22**(4), 887–910.

Schaltegger, S. and T. Synnestvedt: 2002, 'The Link Between 'Green' and Economic Success: Environmental Management As the Crucial Trigger Between Environmental and Economic Performance', *Journal of Environmental Management* **65**(4), 339–346.

Schaper, M.: 2002, 'Small Firms and Environmental Management: Predictors of Green Purchasing in Western Australian Pharmacies', *International Small Business Journal* **20**(3), 235–251.

Schwepker, C. H.: 2001, 'Ethical Climate's Relationship to Job Satisfaction, Organizational Commitment, and Turnover Intention in the Salesforce', *Journal of Business Research* **54**(1), 39–52.

Serwinek, P. J.: 1992, 'Demographic and Related Differences in Ethical Views Among Small Businesses', *Journal of Business Ethics* **11**(1), 555–566.

Sharfman, M. P., G. Wolf, R. B. Chase and D. A. Tansik: 1988, 'Antecedents of Organizational Slack', *Academy of Management Review* **13**(4), 601–614.

Sharma, S.: 2000, 'Managerial Interpretations and Organizational Context As Predictors of Corporate Choice of Environmental Strategy', *Academy of Management Journal* **43**(4), 681–697.

Shaver, K. G. and L. R. Scott: 1991, 'Person, Process, Choice: The Psychology of New Venture Creation', *Entrepreneurship Theory & Practice* **16**(2), 23–45.

Shrader, C. B., C. L. Mulford and V. L. Blackburn: 1989, 'Strategic and Operational Planning, Uncertainty, and Performance in Small Firms', *Journal of Small Business Management* **27**(4), 45–60.

Simon, H. A.: 1982, *Models of Bounded Rationality: Behavioral Economics and Business Organizations* (MIT Press, Cambridge).

Smeltzer, L. R., G. L. Fann and V. N. Nikolaisen: 1988, 'Environmental Scanning Practices in Small Business', *Journal of Small Business Management* **26**(3), 55–62.

Smith, N. R. and J. B. Miner: 1983, 'Type of Entrepreneur, Type of Firm, and Managerial Motivation-Implications for Organizational Life-Cycle Theory', *Strategic Management Journal* **4**(4), 325–340.

Smith, P. L. and E. F. I. Oakley: 1994, 'A Study of the Ethical Values of Metropolitan and Nonmetropolitan Small Business Owners', *Journal of Small Business Management* **32**(4), 17–27.

Solymossy, E. and J. K. Masters: 2002, 'Ethics Through an Entrepreneurial Lens: Theory and Observation', *Journal of Business Ethics* **38**, 227–241.

Spence, L. J.: 1999, 'Does Size Matter? The State of the Art in Small Business Ethics', *Business Ethics: A European Review* **8**(3), 163–174.

Spence, L. J., R. Jeurissen and R. Rutherfoord: 2000, 'Small Business and the Environment in the U.K. and the Netherlands: Towards Stakeholder Cooperation', *Business Ethics Quarterly* **10**(4), 945–965.

Spence, L. J. and J. F. Lozano: 2000, 'Communicating About Ethics With Small Firms: Experiences From the U.K. and Spain', *Journal of Business Ethics* **27**(1/2), 43–53.

Teal, E. J. and A. B. Carroll: 1999, 'Moral Reasoning Skills: Are Entrepreneurs Different?', *Journal of Business Ethics* **19**(3), 229–240.

Teoh, H. Y. and S. L. Foo: 1997, 'Moderating Effects of Tolerance for Ambiguity and Risk-Taking Propensity on the Role Conflict-Perceived Performance Relationship: Evidence From Singaporean Entrepreneurs', *Journal of Business Venturing* **12**(1), 67–81.

Tilley, F.: 1999, 'The Gap Between The Environmental Attitudes and The Environmental Behaviour of Small Firms', *Business Strategy and the Environment* **8**(4), 238–248.

Tilley, F.: 2000, 'Small Firm Environmental Ethics: How Deep Do They Go?', *Business Ethics: A European Review* **9**(1), 31–41.

Treviño, L. K. and S. A. Youngblood: 1990, 'Bad Apples in Bad Barrels – A Causal-Analysis of Ethical Decision-Making Behavior', *Journal of Applied Psychology* **75**(4), 378–385.

Turban, D. B. and D. W. Greening: 1996, 'Corporate Social Performance and Organizational Attractiveness to Prospective Employees', *Academy of Management Journal* **40**(3), 658–672.

Valentine, S., M. M. Greller and S. B. Richtermeyer: 2006, 'Employee Job Response As a Function of Ethical Context and Perceived Organization Support', *Journal of Business Research* **59**(5), 582–588.

Vandekerckhove, W. and N. A. Dentchev: 2005, 'A Network Perspective on Stakeholder Management: Facilitating Entrepreneurs in the Discovery of Opportunities', *Journal of Business Ethics* **60**(3), 221–232.

Verhees, F. J. H. M. and M. T. G. Meulenberg: 2004, 'Market Orientation, Innovativeness, Product Innovation, and Performance in Small Firms', *Journal of Small Business Management* **42**(2), 134–154.

Vitell, S. J., E. D. Dickerson and T. A. Festervand: 2000, 'Ethical Problems, Conflicts and Beliefs of Small Business Professionals', *Journal of Business Ethics* **28**(1), 15–24.

Vives, A., A. Corral and I. Isusi: 2005, *Responsablidad Social de la Empresa en las PyMEs de Latinoamérica* (Interamerican Development Bank, Washington, DC).

Vyakarnam, S., A. Bailey, A. Myers and D. Burnett: 1997, 'Towards an Understanding of Ethical Behaviour in Small Firms', *Journal of Business Ethics* **16**(15), 1625–1636.

Welsh, J. A. and J. F. White: 1981, 'A Small Business Is Not a Little Big Business', *Harvard Business Review* **59**(4), 18–32.

Wennekers, S. and R. Thurik: 1999, 'Linking Entrepreneurship and Economic Growth', *Small Business Economics* **13**(1), 27–55.

Werner, A. and L. J. Spence: 2004, 'Literature Review: Social Capital and SMEs', in L. J. Spence et al. (eds.), *Responsibility and Social Capital: The World of Small and Medium Sized Enterprises* (Palgrave MacMillan, New York, NY), pp. 7–24.

Yurtsever, G.: 2003, 'Measuring the Moral Entrepreneurial Personality', *Social Behavior and Personality* **31**(1), 1–12.

Zahra, S. A.: 1989, 'Executive Values and the Ethics of Company Politics – Some Preliminary Findings', *Journal of Business Ethics* **8**(1), 15–29.

Jan Lepoutre and Aimé Heene
Department of Management and Entrepreneurship,
Faculty of Economics and Business Administration,
Ghent University,
Hoveniersberg 24, 9000 Ghent,
Belgium
E-mail: jan.lepoutre@ugent.be