



## ARTICLE

# Relationship between corporate social responsibility and competitive performance in Spanish SMEs: Empirical evidence from a stakeholders' perspective<sup>☆</sup>



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**Abstract** In a financial economic scenario in which the corporate survival of small and medium enterprises (SMEs) is more conditioned than ever by competitive performance, this paper aims to show that the strategic incorporation of socially responsible actions, more concerned and engaged with stakeholders, contributes to improve the competitiveness of these organizations. Thus, the existence of a direct or mediated relationship between the development of Corporate Social Responsibility (CSR) practices and competitive performance has been analyzed from a multi-stakeholder perspective. To accomplish this task, data were collected from a sample of 481 Spanish SMEs and the technique of partial least squares (PLS) was used. Outcomes show that the development of CSR practices contributes to increase the competitive performance both directly and indirectly, through the ability of these organizations to manage their stakeholders. This study, therefore, supports the social impact hypothesis and offers evidence about some intangibles such as the relational capacity mediate the causal effect between CSR and competitive performance.

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## Introduction

Corporate Social Responsibility (CSR), Social Responsibility (SR) or any of its aspects are gaining great attention in the academic and professional fields. Companies are increasingly more aware and encouraged to integrate and participate in CSR issues (Mark-Herbert and Von Schantz, 2007). It has been pointed out as an essential concept that business managers should understand and manage. Firms of all types and sizes are called to become socially responsible, ecologically sustainable and economically competitive (Orlitzky et al., 2011). However, the real development that CSR has experienced in small and medium enterprises (SMEs) is different than in large corporations.

In general, SMEs have certain characteristics that do interesting developing detailed and specific studies focused on them. This kind of organization usually shows particular strategies and structures, less formalized and more dependent on the disposition, participation, and ability to design strategies of the owners/managers, which complicate the development of CSR actions similar to large corporations' practices. The lack of knowledge that SME managers usually have about CSR, the close relations with stakeholders (Fisher et al., 2009; Russo and Tencati, 2009) and the tendency to use informal communication mechanisms (Nielsen and Thomsen, 2009) have been identified as reasons for the incipient research conducted so far. At any rate, this state should not be interpreted as a lack of implementation of CSR practices because, as several empirical studies at the international and national level have supported, SMEs carry out more practices than they acknowledge and, thus, they promote. This phenomenon has been referred to in literature as "silent social responsibility" (Jenkins, 2004; Jamali et al., 2009).

Two groups of complementary reasons have been identified to explain the firm's engagement in CSR: on one hand, those of a normative perspective, concerned with the moral correctness of firms and their managers, and on the other, those arising from an instrumental perspective, more related to the traditional performance goals of profitability and business growth. From a strategic approach, most academics agree to prioritize the instrumental focus over the normative perspective; they usually state that those organizations that do not orientate their activities under a CSR philosophy in the short- or medium-term will be at a significant competitive disadvantage. In this regard, for example, different studies have pointed to the adoption of sustainable policies contributing advantages for the company (Porter and Kramer, 2002), either through increasing financial returns (Orlitzky et al., 2003; Miras et al., 2014) or through improving business reputation (Bear et al., 2010; Stanaland et al., 2011).

Aguinis and Glavas (2012) highlighted the gap that exists in the literature in regards to the relationship between CSR and business performance, and encouraged researchers to clarify some of the "mechanisms" that make this association possible. While the relationship between CSR and business performance measures has already been scrutinized in several works, most of them focused on large corporations. Despite it is difficult to suppose that conclusions can be directly extrapolated to the SMEs, at the moment, few studies have been carried out analysing the

CSR-firm performance link in SMEs (e.g., Marín and Rubio, 2008; Niehm et al., 2008; Hammann et al., 2009; Sweeney, 2009; Torugsa et al., 2012; Gallardo-Vázquez and Sánchez-Hernández, 2013, 2014a; Turyakira et al., 2014). Of these studies, only a few have tried to measure the CSR practices from a multi-stakeholder perspective (e.g. Hammann et al., 2009; Sweeney, 2009; Torugsa et al., 2012; Turyakira et al., 2014), even though none of them employed a measure of business performance based on the competitiveness that reflected the level of financial and non-financial results achieved in comparison with the most direct competitors. Thereby, none of the reviewed studies considered a performance measure based on the economical-financial position along with the market position regarding quality of products, innovation and customers' satisfaction.

Given this considerations; being aware of the special implementation of CSR practices conducted by reduced dimension businesses; considering the resources limitations of this kind of organizations; and lastly, knowing the owners/managers' confusion about real effects of sustainable behaviours, this investigation aims to clarify the relationship between CSR and competitive performance targeting in the specific context of SMEs (i.e., companies with up to 250 employees). Additionally, delving into the causal relation between the main variables under study and following Surroca et al. (2010) suggestion, this paper investigates whether a firm's capacity to manage stakeholders and achieve competitive advantages has a mediating role between the CSR and the competitive performance of SMEs. Besides, this paper tests the role of firm size as control variable, which impacts on CSR and competitive performance.

To accomplish these tasks, the paper first includes a review of some important theoretical background about the CSR-firm performance link, paying special attention to the SMEs field. The next section also includes the proposition of the hypotheses under analysis. Subsequently, "Methods" section describes the sample, the questionnaire and the statistical process. Finally, after presenting an analysis of results and a discussion of the main findings in "PLS Analysis and Results" and "Discussion" sections, respectively, some conclusions are drawn in the final section. The paper ends warning of some limitations and suggesting future lines of research.

## CSR and firm performance link

Interest in finding any possible relationship between CSR and business performance<sup>5</sup> emerged more than forty years ago. Most previous studies corroborate that efforts to carry out CSR practices improve firm performance (Beurden and Gösling, 2008). However, the first impression is a field of mixed evidence (Peloza, 2009). Barnett stated in 2007 (p.794) that, "after more than thirty years of research, we cannot clearly conclude whether a one-dollar investment in

<sup>5</sup> The term "performance" is used in this research to represent how successful a company is. Different kinds of "performances" can be identified depending on the nature of the measures employed in order to evaluate how well firms do specific activities related with any sphere (financial performance, social performance, environmental performance, competitive performance, etc.).

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