

Formal vs. Informal CSR Strategies: Evidence from Italian Micro, Small, Medium-sized, and Large Firms

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ABSTRACT. Recent research on corporate social responsibility (CSR) suggests the need for further exploration into the relationship between small and medium-sized enterprises (SMEs) and CSR. SMEs rarely use the language of CSR to describe their activities, but informal CSR strategies play a large part in them. The goal of this article is to investigate whether differences exist between the formal and informal CSR strategies through which firms manage relations with and the claims of their stakeholders. In this context, formal CSR strategies seem to characterize large firms while informal CSR strategies prevail among micro, small, and medium-sized enterprises. We use a sample of 3,626 Italian firms to investigate our research questions. Based on a multi-stakeholder framework, the analysis provides evidence that small businesses' use of CSR, involving strategies with an important impact on the bottom line, reflects an attempt to secure their license to operate in the communities; while large firms rarely make attempts to integrate their CSR strategies into explicit management systems.

KEY WORDS: CSR strategies, Italy, large firms, micro firms, multi-stakeholder approach, small and medium-sized enterprises

Introduction

Recent research on corporate social responsibility (CSR) suggests the need for further exploration into the relationship between small and medium-sized enterprises (SMEs) and CSR. Both researchers and practitioners are responding to the trend toward re-orientation – away from the large multinational firm as a benchmark subject of both CSR and business ethics research (Grayson, 2004; Jenkins, 2004; Perrini, 2006a; Spence and Rutherfordo,

2003; Thompson and Smith, 1991; Tilley, 2000; Vyakarnam et al., 1997). Perrini (2006a) suggests a further distinction: theoretical models of the relationship between large firms and CSR, such as the stakeholder theory (Donaldson and Preston, 1995; Freeman, 1984), do not necessarily explain the CSR–SME relationship, since researchers examining CSR in large corporations may not find it possible to generalize their findings to SMEs (Spence and Rutherfordo, 2003; Thompson and Smith, 1991). There are also differences from the managerial perspective, since SMEs rarely use the language of CSR to describe their activities.

It is possible to note that due attention is not, and has not been paid to micro firms, which account for some 93% of the nearly 20 million firms in the European Union (EU). Six percent are small, and less than 1% are medium-sized (European Commission, 2003); managing nine employees can certainly differ from managing 49 or 249 of them! If these dimensional issues are added to further analysis of the CSR strategies developed, at different levels, by micro, small, medium-sized, and large firms, additional questions emerge relevant to the CSR–SME relationship.

The goal of this article is to investigate whether a distinction exists between the formal and informal CSR strategies through which firms manage the relation with, and respond to the claims of their stakeholders. In this context, formal CSR strategies seem to characterize large firms while informal CSR strategies prevail among micro, small, and medium-sized enterprises. We propose and investigate several research questions through analysis of Italian companies to understand how the management of responsible behaviors in micro, small, medium-sized,

and large firms differs. In particular, we focus on the extent to which entrepreneurs, owner-managers, and managers address CSR by developing, adopting, and implementing formal management systems (Mangelsdorf, 1999; St. John, 1980).

Our study, from a multi-stakeholder perspective, considers the interests of several stakeholders affected by the behaviors of micro, small, medium-sized, and large firms. A sample of 3,626 Italian firms is used to test the research questions and explore what further knowledge is needed on the subject of SMEs and CSR.

Theory and research questions

Micro, small, medium-sized, and large firms in CSR literature

Extant literature on CSR suggests that we need to know more about the CSR–SME relationship. Such a knowledge gap exists because research on CSR has basically focused on large firms. Several studies are now stressing that SMEs are not “little big firms” (Tilley, 2000), but rather that certain traits distinguish them from large corporations (Spence, 1999; Spence and Rutherford, 2003): SMEs are in general actively managed by their owners, highly personalized, largely local in their area of operation, and largely dependent on internal sources to finance growth (Vyakarnam et al., 1997). These factors can be described, summarily, as less formal than those of large firms, especially in the area of CSR strategies. Therefore, researchers working on the CSR–SME knowledge gap must pay much more attention to these differences.

The literature on this knowledge gap worked at a twofold level. On the one hand, at the theoretical level, researchers have asked whether those theories usually associated with large firms’ ethical issues also apply to SMEs. On the other hand, empirical evidence has been offered to provide an in-depth analysis of CSR in SMEs, focusing on specific ethical issues (Spence et al., 2000; Spence and Lozano, 2000; Tilley, 2000).

There has been little theoretical research into the relationship between CSR and, respectively, large corporations and SMEs. Recently, Perrini (2006a) has proposed that, while the stakeholder theory is more

appropriate for large corporations, the CSR–SME relationship could be better explored using the theory of social capital. The concept of social capital is generally associated with the intangible assets of reputation, trust, legitimacy, and consensus (Habisch et al., 2001; Putnam, 1993, 2000; Spence et al., 2003, 2004), the bases of the long-term performance of SMEs and especially of SMEs embedded into the local community in which they operate (for an in-depth review of the concept of social capital, see Adler and Kwon, 2002). Spence et al. (2003) suggest that for SMEs social capital accrues through engagement, networking within sectors, networking across sectors, volunteerism, and donating to charities.

Moreover, empirical evidence suggests that small-firm owner-managers recognize the crucial relevance of ethics in businesses, specifically openness and trust, religious-based references to ethics, selected relationships with suppliers, and honest dealings with employees (Spence and Lozano, 2000). What micro, small, and medium-sized enterprises still lack are formal tools, such as codes, reports, and social, environmental, and ethical standards. These tools require, among other things, the investment of time, financial resources, and competences to implement new organizational routines that SMEs are not ready to provide. Furthermore, as concluded by Tilley (2000), without institutional reform and restructuring of the economic system in the public domain it is unlikely that there will be widespread improvement in environmental and social ethics among small firms which, as a result, often fall below or outside the requirements of specific national regulations, thus avoiding their responsibilities toward several stakeholders. Therefore, small firms are in some cases not as responsible for their surrounding environment and societies as larger businesses. Examples in this context are the environmental regulations in the UK (Tilley, 2000) as well as the health and safety regulations in Italy, which require several simplifications for micro, small, and medium-sized companies. Nevertheless, more work is also required among researchers as well as SME managers to connect new theories to small-firm practice and integrate these new approaches into the daily routine of businesses and into a definable context of CSR. This effort will make it possible to bring to light what is often called “sunken CSR” (Perrini et al., 2006) or “silent CSR” (Jenkins, 2004).

Research questions

After this short review of the literature on the CSR–SME relationship, we can conclude that it is still unclear to what extent micro, small, and medium-sized firms can build on the knowledge and experiences of large multinational companies in their CSR engagement. The conflict seems to be between SMEs' need to develop their own methods of integrating social responsibility into their corporate strategy as opposed to the opportunity and their willingness to merely replicate large firms' formal responsible strategies. Nevertheless, a second question regards the degree of effective formalization of large-firm CSR strategies. Assuming that large firms strive to improve their engagement in corporate responsibility, we still question whether they are formally integrating CSR strategies into their corporate strategy – that is, building organizational procedures and exploiting specific managerial tools to encompass the interests of different stakeholders (e.g., employees, local communities, etc.). Therefore, more research and empirical evidence are still needed to understand when firms show differences in their socially responsible behavior at micro, meso, and macro levels (Spence, 1999) and what CSR issues are most likely to be addressed, since recognizable differences exist between micro, small, medium-sized, and large firms. Indeed, although size seems to be a crucial factor affecting the degree of responsible behaviors (Perrini et al., 2007; Spence, 1999), it is still important to understand if such behavior is relevant in smallest firms and, if so, which stakeholders are more strongly supported by these firms than large ones, even if the latter could reveal an unquestionable degree of formalization of their CSR strategies. It is, for example, more feasible for small businesses to operate within a less structured context that consists of trust, informality, and networking – the main aspects of social capital. Therefore, we might consider that the approach to CSR strategies differ in micro, small, medium-sized, and large firms.

The goal of this article is to investigate whether a distinction exists between the formal and informal CSR strategies through which firms manage their relation with, and respond to the claims of their stakeholders. Our research questions are built on previous research on CSR and SMEs and tested through a specific research design based on Italian

companies. CSR strategies are identified as those tools and activities implemented by firms to promote responsible behavior toward both external and internal stakeholders. Therefore we investigate the following research questions:

Do micro, small, and medium-sized firms diverge from large corporations in approaching CSR?

Do Italian firms adopt formal and structured (i.e., embedded into formal management systems) CSR strategies to manage the relation with, and respond to the claims of their stakeholders?

Are formal and structured CSR strategies a peculiar responsibility for large firms?

Methodology

Sample

Since a rigorous methodology should start with a clear and unique definition of micro, small, medium-sized, and large firms (Spence, 1999), the analysis is based on the definition established by the EU (European Commission, 2003): micro firms are firms with less than 10 employees; small firms are firms with less than 50 employees; medium-sized firms are firms with less than 250 employees; firms with a greater number of employees are considered large.

In order to investigate our research questions, we focused on Italian firms, which provide interesting and strong evidence on the distinctions among micro, small, medium-sized, and large firms. According to the eighth census published by the *Italian Institute for Statistics (ISTAT)* in 2001 (ISTAT, 2001), there are 4,083,966 Italian firms, including 3,877,834 micro firms (94.95%), 182,271 small firms (4.46%), 20,589 medium-sized firms (0.51%), and 3,272 large firms (0.08%).

A first stage of this research has been structured in collaboration with *Unioncamere*, which is the Italian *Union of Chambers of Commerce, Industry, Craft, and Agriculture* (Molteni and Lucchini, 2004). The goal of this stage, which was completed in 2003, was to collect information and data on Italian firms through telephone interviews carried out by *computer-aided telephone interviews (CATI)*. Companies were

randomly selected from among all those registered with the *Register of Italian Companies* up until December 2000. Our final sample, composed of 3,626 firms of all sizes is a good representation of the Italian whole-business model. Firms are distributed into three main geographical areas identified by means of the *Eurostat Nomenclature of Territorial Units for Statistics (NUTS)*, and into nine industries according to the economic-activity classification adopted at the European level (*NACE Rev. 1*). The sample is described in Table I.

Information and data collected basically referred to CSR strategies characterizing the Italian companies, where CSR strategies have been identified as

tools implemented by the firms to promote CSR and as CSR activities in which firms have been involved. Questions were posed to top managers in each company (i.e., CEO, account manager, human resources manager, marketing manager), whereas in SMEs the interviewee was generally the owner-manager. In a few large corporations, it was possible to find a CSR manager.

Factor analysis

The goal of our second stage of analysis was to identify formal and informal CSR strategies implemented by

TABLE I
Sample description

Industry	Area	Micro		Small		Medium		Large		Total	
		N	% ^a	N	% ^a	N	% ^a	N	% ^a	N	% ^b
Agro-industrial	North	181	81	37	17	5	2	0	0	223	36
	Centre	161	68	62	26	10	4	4	2	237	39
	South	88	58	52	34	8	5	5	3	153	25
Manufacturing	North	33	19	78	46	20	12	39	23	170	36
	Centre	32	18	58	32	29	16	60	34	179	37
	South	37	29	60	47	9	7	23	18	129	27
Construction	North	92	56	55	34	9	5	8	5	164	40
	Centre	74	49	67	44	8	5	3	2	152	38
	South	37	42	38	43	9	10	5	6	89	22
Trade and tourism	North	68	52	50	38	9	7	3	2	130	36
	Centre	71	56	41	33	5	4	9	7	126	35
	South	74	71	19	18	4	4	7	7	104	29
Transport	North	36	24	43	29	26	17	44	30	149	39
	Centre	31	23	59	45	26	20	16	12	132	34
	South	38	36	32	30	17	16	18	17	105	27
ICT	North	50	40	44	35	21	17	11	9	126	34
	Centre	83	61	31	23	16	12	5	4	135	37
	South	70	67	28	27	6	6	1	1	105	29
Credit-insurance	North	62	50	16	13	24	19	22	18	124	34
	Centre	69	49	28	20	19	14	24	17	140	38
	South	77	73	13	12	9	8	7	7	106	29
Service for enterprises	North	67	54	31	25	14	11	13	10	125	38
	Centre	54	46	39	33	17	15	7	6	117	36
	South	37	45	26	31	13	16	7	8	83	26
Service for people	North	45	34	42	32	26	20	18	14	131	41
	Centre	45	45	29	29	18	18	8	8	100	31
	South	29	32	36	39	19	21	8	9	92	28

^aPercentage is computed by row (i.e., by industry and geographical area).

^bPercentage is computed on the number of firms in the focal industry.

micro, small, medium-sized, and large Italian firms. Factor analysis was used to identify groups of CSR strategies used by Italian firms, and four different factor analyses were run, according to the size of the firm. The variables included in the factor analysis referred to the questions submitted to the firms through the above-mentioned CATI method (see Appendix 1).

Moreover, a multi-stakeholder approach was used – in other words, the analysis focused on specific categories of stakeholders identified through the framework fostered by the Italian Ministry of Labour and Social Affairs (Tencati et al., 2004). The categories identified are: 1. Employees; 2. Members/shareholders, financial community; 3. Clients; 4. Suppliers; 5. Financial partners; 6. Government, local authorities, and public administration; 7. Community, and 8. Environment.

Results

Running the factor analyses, we first checked for multicollinearity among variables, looking at the determinant of the correlation matrix to make sure that it was greater than the necessary value of

0.00001. Those variables correlated with no other variables were eliminated. We also controlled for the Kaiser–Meyer–Olkin (KMO) measure of sampling adequacy, providing evidence that we have distinct and reliable factors, and Bartlett’s test of sphericity, to check that there are relationships among the variables we include in the analysis. For each analysis, we used the direct oblimin method of oblique rotation, since there were good reasons to suppose that in theoretical terms there might be a relationship between the underlying factors. For example, it would be obvious that firms taking into due account their employees are also more willing to publish a social report. Finally, in each table we reported the loading factors above 0.4, ignoring the plus or minus sign, obtained in the structure matrix; the same results were obtained in the pattern matrix, providing evidence of the good results of this analysis.

Results for micro firms

Table II presents the results referring to the CSR strategies implemented by micro firms. We extracted five factors with eigenvalues above the rule of thumb

TABLE II
CSR strategies implemented by micro firms

CSR strategy	Variable	Loading	N	%
Employment	Subsidized financing	0.72	116	7
	Integrative medical care	0.61	236	14
	Corporate activities for employees’ benefit	0.60	117	7
	Flexible working time	0.51	705	40
Reduction of consumption	Water reduction	0.70	49	3
	Energy reduction	0.67	137	8
	Alternative energy	0.63	18	1
	Packaging recovery	0.42	96	6
Supply chain	Suppliers’ selection	0.85	736	42
	Customers’ selection	0.83	454	26
Reduction of pollution	Pollution reduction	0.73	53	3
	Noise reduction	0.70	56	3
	Waste management	0.59	86	5
Engagement	Briefing with employees	0.70	539	31
	Training activities	0.68	304	17
	Corporate internal communication	0.59	162	9
	Corporate advertising	0.48	120	7

Note. Determinant = 0.163; KMO = 0.749; Bartlett’s test: $p < 0.01$.

of 1, accounting for about 47% of the variance in our research model, and including 58 (42%) non-redundant residuals with absolute values greater than 0.05, a good result that illustrates the difference between observed and reproduced correlations in our analysis. Our results suggest that Italian micro firms implement CSR strategies associated with employment, reduction of consumption, supply chain, reduction of pollution, and engagement.

Results for small firms

Table III presents the results referring to the CSR strategies implemented by small firms. We decided to extract four factors, accounting for about 39% of the variance in our research model, instead of the five factors with eigenvalues above the rule of thumb of 1. This allowed us to obtain significant factors corresponding to specific CSR strategies. These four factors presented 62 (36%) non-redundant residuals with absolute values greater than 0.05, which is still a good result in terms of difference between observed

and reproduced correlations in our analysis. The results provide evidence that Italian small firms address CSR strategies associated with environment, employment, supply chain, and local community.

Results for medium-sized firms

Table IV presents the results referring to the CSR strategies implemented by medium-sized firms. We decided to extract five factors, accounting for about 49% of the variance in our research model, instead of the six factors with eigenvalues above the rule of thumb of 1. Once again, this allowed us to obtain significant factors corresponding to specific CSR strategies. These five factors included 67 (43%) non-redundant residuals with absolute values greater than 0.05, which is still a good result in terms of difference between observed and reproduced correlations in our analysis. Therefore, we conclude that Italian medium-sized firms implement CSR strategies associated with environment, employment, supply chain, local community, and community volunteering.

TABLE III
CSR strategies implemented by small firms

CSR strategy	Variable	Loading	N	%
Environment	Pollution reduction	0.67	77	7
	Energy reduction	0.64	141	13
	Noise reduction	0.63	83	7
	Waste management	0.56	117	11
	Water reduction	0.56	67	6
	Packaging recovery	0.51	78	7
	Alternative energy	0.41	27	2
	Employment	Briefing with employees	0.65	635
Corporate internal communication		0.64	191	17
Training activities		0.58	440	39
Corporate activities for employees' benefit		0.55	164	15
Integrative medical care		0.50	249	22
Flexible working time		0.42	500	45
Supply chain	Suppliers' selection	-0.85	671	60
	Customers' selection	-0.84	564	51
Local community	Corporate advertising	0.73	105	9
	Cause-related marketing	0.64	35	3
	Sponsorship	0.62	457	41
	Giving	0.49	424	38

Note. Determinant = 0.135; KMO = 0.731; Bartlett's test: $p < 0.01$.

TABLE IV
CSR strategies implemented by medium-sized firms

CSR strategy	Variable	Loading	N	%
Environment	Water reduction	0.68	19	5
	Noise reduction	0.63	28	7
	Packaging recovery	0.63	35	9
	Waste management	0.62	43	11
	Pollution reduction	0.61	31	8
	Energy reduction	0.61	52	13
Employment	Corporate internal communication	0.70	139	35
	Briefing with employees	0.69	263	66
	Corporate activities for employees' benefit	0.62	114	29
	Training activities	0.61	208	53
	Flexible working time	0.45	222	56
Supply chain	Suppliers' selection	0.83	240	61
	Customers' selection	0.83	211	53
Local community	Sponsorship	0.78	174	44
	Giving	0.62	164	41
	Cause-related marketing	0.54	30	8
Community volunteering	Hiring of disadvantaged persons	-0.65	384	97
	Volunteering	0.61	52	13

Note. Determinant = 0.084; KMO = 0.683; Bartlett's test: $p < 0.01$.

Results for large firms

Table V presents the results referring to the CSR strategies implemented by large firms. Five factors have been extracted with eigenvalues above the rule of thumb of 1, accounting for about 51% of the variance in our research model. These five factors included 73 (42%) non-redundant residuals with absolute values greater than 0.05, which is still a good result in terms of difference between observed and reproduced correlations in our analysis. Our results suggest that Italian large firms address CSR strategies associated with environment, employment, local community, supply chain, and community volunteering.

Excluded variables

In the factor analyses related, respectively, to micro, small, medium-sized, and large firms, several variables have been eliminated since they correlated with no other variables. Therefore, even if firms implement specific CSR tools or are involved in

specific CSR activities, they cannot be related to any CSR strategy implemented by the firm. This result suggests that strong similarities might exist among firms of different size in terms of their approach to CSR as well as that CSR tools and activities are not necessarily formalized and integrated into explicit management systems. Table VI presents a synthesis of these variables, distinguishing among micro, small, medium-sized, and large firms.

Discussion

The results presented in this article offer some interesting insights into the knowledge gap in the CSR-SME relationship; in particular, new empirical evidence is provided about the CSR strategies of micro, small, medium-sized, and large firms. We provide evidence that, given specific peculiarities differentiating among micro, small, medium-sized, and large firms' approach to CSR, in general there is a stronger focus on the strategies that significantly impact the bottom line. Moreover, firms still seem to approach CSR as an attempt to secure a license to

TABLE V
CSR strategies implemented by large firms

CSR strategy	Variable	Loading	N	%
Environment	Pollution reduction	0.74	83	22
	Noise reduction	0.71	72	19
	Energy reduction	0.71	93	25
	Water reduction	0.65	57	15
	Waste management	0.64	89	24
	Alternative energy	0.62	37	10
	Packaging recovery	0.48	46	12
Employment	Corporate internal communication	0.65	230	61
	Flexible working time	0.65	245	65
	Corporate activities for employees' benefit	0.63	213	57
	Integrative medical care	0.59	155	41
	Briefing with employees	0.55	297	79
	Training activities	0.49	231	62
Local community	Sponsorship	0.79	208	55
	Giving	0.75	225	60
Supply chain	Suppliers' selection	-0.80	292	78
	Customers' selection	-0.76	221	59
Community volunteering	Hiring of disadvantaged persons	0.67	370	99
	Volunteering	-0.51	37	10

Note. Determinant = 0.033; KMO = 0.771; Bartlett's test: $p < 0.01$.

operate in their own community. These general results suggest that differences might exist between firms of different size at a twofold level: first, in the need for formalizing CSR strategies; and second, in the approach to responsible behaviors toward specific categories of stakeholders.

Consistent with prior research, SMEs are increasingly revealing their familiarity with and consciousness of CSR, but they also manifest an unwillingness to formalize their CSR strategies into specific and explicit management systems. Although owner-managers are aware of CSR issues, CSR often requires a larger investment of time, finances, energy, and resources than they can afford, and therefore they make less use of CSR instruments than do large firms (Graafland et al., 2003; Spence and Lozano, 2000). On the other hand, large firms, which are supposed to be the holders of sufficient knowledge and resources to exploit CSR tools, still reveal limits in their formalization and integration of CSR strategies into explicit management systems. Therefore, important insights emerge for researchers and practitioners

interested in micro, small, medium-sized, and large firms.

Micro firms

Relevant differences emerge in the comparisons of micro firms with small, medium-sized, and large firms. CSR strategies carried out by micro firms reveal a different managerial approach, reflected by their very low degree of formalization. The reasons for this are the peculiarities of micro firms, which employ fewer than 10 employees and therefore have scarce need for, and opportunities to implement formal management systems. Nevertheless, a two fold consideration emerges. First, micro firms comprise a large part of many economic contexts, often representing the highest percentage of companies. As an example, consider that micro firms comprise about 95% of Italian companies and employ about 46% of all workers in Italian businesses (ISTAT, 2001); therefore, if recent research focuses attention on the SME sector (Tilley, 2000), we emphasize that

TABLE VI
Variables not included in the factor analyses

Micro	N	%	Small	N	%	Medium	N	%	Large	N	%
Cause-related marketing	19	1				Alternative energy	19	5			
EMAS and ISO14001	24	8	EMAS and ISO14001	46	14	Corporate advertising	64	16	Cause-related marketing	38	10
Environmental report	25	10	Environmental report	27	11	EMAS and ISO14001	31	24	Corporate advertising	72	19
Ethical code	104	23	Ethical code	83	20	Environmental report	9	8	EMAS and ISO14001	72	36
Giving	391	22				Ethical code	40	21	Environmental report	37	22
Hiring of disadvantaged persons	1,596	92	Hiring of disadvantaged persons	1,072	96						
SA8000	11	9	SA8000	18	15	Integrative medical care	129	33			
Social report	33	18	Social report	38	19	SA8000	11	16	SA8000	17	14
Sponsorship	447	26				Social report	35	30	Social report	45	28
Volunteering	105	6	Subsidised financing	183	16	Subsidised financing	57	14	Subsidised financing	50	13
			Volunteering	74	7						

the micro firm sector also merits a great deal of attention separate from the other categories in the assessment of impact on the economic, social, and environmental contexts. Second, in that an entrepreneur plays multiple roles inside this kind of organizations, the lack of explicit management systems, and even more of explicit and specific CSR strategies, is not surprising. From the standpoint of a virtue ethical approach to business ethics, entrepreneurs and owner-managers behave according to their moral responsibility which is purely individual, since they voluntarily act the way they do (Soppe, 2002). This suggests that micro firms are more likely to implement responsible behaviors toward specific categories of stakeholders; in fact, independent owners tend to personalize the relations between their business and the society.

With regard to the results of this study, micro firms' commitment to eco-efficiency (i.e., reduction of consumption and pollution) as well as their initiatives related to stakeholder engagement (i.e., employee briefings, training activities, corporate internal communication, and corporate advertising) represent what we mentioned above as an informal attempt to secure their license to operate in their communities. Therefore, micro firms' approach to CSR differs from that of the other categories of firms: as an example, their ecological conscientiousness is directed toward reduction of consumption and of pollution, but not based on comprehensive environmental strategies. Moreover, employees are considered relevant stakeholders, but different activities and tools are promoted without well-structured management systems; therefore, responsible strategies toward employees and stakeholder engagement also emerge, but they are not formalized through ethical codes and social reports. Therefore, micro firms reveal a natural aptitude to behave responsibly, but a lot of work by researchers and practitioners is needed to improve their awareness, support their efforts, and elevate CSR from aptitude to a comprehensive strategy. This is not to say that without formalization micro firms would not be able to implement CSR activities; here, we are merely suggesting that micro firms have a different approach to CSR than that of larger firms, which is based on informal mechanisms in some way integrated into micro firms' corporate strategy. Thus, specific methodologies should be developed

and best practices should be collected and shared to foster and strengthen socially responsible behavior in micro firms.

Small and medium-sized firms

As highlighted above for micro firms, the large presence of SMEs within the global economic context suggests that their great potential must not be underestimated (Tilley, 2000). Italian SMEs, working together in naturally and historically bounded areas generally called *districts* (Pyke et al., 1990), are emerging as highly influential not only in business, but also in society and the environment. Within this context, Italian SMEs show strong similarities in their approach to CSR, but differences do exist between small and medium-sized firms. In the realm of ethics, small firms commonly describe a form of business that is not separated from the life of the owner-managers. They are clearly embedded in society in a way that large firms, and sometimes even medium-sized companies are not (De Geer, 2002). Owner-managers often develop very different ways of thinking about and evaluating business ethics (Crane and Matten, 2007, pp. 380–383) especially because of their strong relationships with their local communities. Therefore, business ethics theory suggests that similarities and differences among SME approaches to CSR are partially endogenous, related to the individual behaviors of owner-managers, but also influenced by the local context, including specific sets of values.

If we consider similarities among CSR strategies, SMEs enjoy a high degree of involvement with employees at different levels within the organization. Such an advantage allows SMEs to manage specific tools and activities and create value for employees, but also for the natural environment and local communities in which they do business. Italian SMEs are recognizing the need to align their CSR strategies with their commitment to and support for the community (Besser, 1999): compared to micro firms, they show a higher aptitude for making their responsible behaviors explicit through specific activities and tools. This might help SMEs to gain and sustain attractiveness to the external market.

Our analysis further reveals two main differences between small and medium-sized firms in their approach to CSR. Our first criterion relates to

recent research focusing on supply management that should take the form of a partnership approach among firms, their suppliers, and their customers (Perrini, 2006b). In particular, small firms and medium-sized firms differ in their capacity to extend their CSR-related behaviors along the supply chain, whereas responsible supply management seems to be a specific issue for medium-sized firms. Medium-sized firms stay in the middle of the chain, usually supplied by small firms and supplying large firms or selling directly to the market; they therefore can manage their relationship with suppliers and customers, maintaining responsible behaviors along the supply chain. Second, medium-sized firms reveal a greater commitment to their community through volunteering than do small firms. Community volunteering comprises one of the most satisfying of all forms of corporate social involvement (Kotler and Lee, 2005), but volunteer programs are also the source of several concerns for owner-managers. Indeed, medium-sized firms build strong relationships with local communities through the involvement of their employees, but at the same time are less willing to hire disadvantaged persons.

Large firms

This study also originated in the need for more knowledge about the CSR–SME relationship, which is stimulating a wide debate among researchers and practitioners, and which emerged from years of research on CSR focused on large firms. In large firms, with all of their specific knowledge, competences, and resources, managers can prioritize CSR on their agendas. The results of this study suggest that large firms' CSR strategies are not significantly different from those of SMEs. Differences exist, of course, and are even more evident if we consider those between large firms and micro firms, but the reasons are clearly endogenous and embedded in the organizational characteristics of different-size firms; in other words, in terms of CSR strategies, the differences between micro and large firms are not surprising and reflect their different managerial approaches. More interesting is the conclusion suggesting the strong similarity in CSR strategies shared by SMEs and large firms: they both seem to be not so integrated into formal management systems. Business ethics theory suggests, as

a reason, the risk to large firms of an overemphasis on ethics with too little attention left for business considerations (Kaptein and Wempe, 2002). Managers are paying increasing attention to ethics, thereby providing for better and more responsible corporate functioning, and at the same time keeping a close eye on relevant conditions and opportunities affecting this functioning.

In order to analyze these similarities further, environmental initiatives are generally associated with large-firm activities, and large firms should be responding with specific managerial tools; the results suggest that these specific managerial tools are the same as those used by SMEs. In the realm of positive interactions with local communities, which are supposed to be a priority among small businesses, large firms focus more on “financial” initiatives (such as giving and sponsorships) than SMEs, which support involvement and communication-oriented activities (e.g., cause-related marketing and corporate advertising). Moreover, employees are recognized as important stakeholders and large firms are investing resources to improve work conditions, as SMEs do. Therefore, even if we can suppose that large firms need more structured personnel policies and procedures than do SMEs, the attention devoted to this stakeholder group is essentially the same in large, and small, and medium-sized companies. On the other hand, differences emerge that partially explain the higher degree of formalization usually associated with CSR strategies implemented by large firms. First, in terms of community volunteering, large-firm CSR strategies seem to be influenced by specific formal procedures that induce managers to hire disadvantaged persons; managers do not realize that volunteering might be one of the best ways to integrate CSR strategies within corporate strategy (Kotler and Lee, 2005), a behavior pattern that differs from the above-mentioned approach of medium-sized firms. Moreover and surprisingly, large firms share with small firms a poor aptitude in maintaining consistent CSR behaviors along the supply chain. Managers of large firms therefore exploit their strong bargaining power over suppliers and clients. Nevertheless, responsible behaviors along the supply chain seem to be influenced by the relational power of medium-sized firms. This might also mean that specific tools along the supply chain (e.g., supply and distribution agreements) must be

revised in order to support strategic partnerships led by large companies.

Conclusions

General conclusions

In this article, we have offered an empirical investigation of micro, small, medium-sized, and large firm CSR strategies. The results show that differences exist between micro-firm CSR strategies, and those of SMEs and large firms. Based on the analysis of 3,626 Italian firms, this study suggests that micro firms are revealing their CSR aptitude through strategies with a significant impact on the bottom line – for example, their commitment to eco-efficiency (i.e., reduction of consumption and reduction of pollution strategies). Moreover, micro firms support initiatives that encourage stakeholder engagement, which can be seen to exemplify their attempt to secure a license to operate in the communities. Often, SMEs and large firms share similar approaches to CSR, whereas we expected to find a greater degree of formalization in large-firm CSR strategies. Small businesses, that is, micro and small firms, and to some extent medium-sized firms are more immediately exposed to the potential economic loss that may occur from a failure to adopt some *de facto* form of CSR, just because of their need to pursue, confirm, and strengthen their community relations. In other words, small businesses need such relations with the community to survive, whereas, in general, large firms do not. Therefore, it is the community that wants CSR from small businesses, and as a consequence small businesses pursue CSR.¹ However, neither are large firms’ strategies implemented to comply with the requirements of specific management systems. Some formal initiatives (e.g., with regard to environmental and HR management policies) are carried out, but they are not part of structured and explicit management systems.

Finally, interesting considerations emerge from the analysis of those CSR tools and activities that were excluded from the factor analyses. We found that no attention was paid to the issues relating to the evaluation and reporting of social, environmental, and sustainability performance and to the introduction of specific management systems. Surprisingly, specific tools (e.g., environmental reports, social

reports, ethical codes, etc.), even if implemented by large firms as well as by SMEs, are not integrated into specific and formal management systems (e.g., ISO 14001, EMAS, SA8000) that companies classify as CSR strategies.

Managerial implications

In this study, formal and structured strategies have been classified as embedded into explicit management systems (Mangelsdorf, 1999); if a well-defined management system does not exist, decisions are usually made informally. It is possible for an organization to remain in this phase for a long period, especially if it remains relatively small and external pressures do not force it to develop more defined organizational procedures, specific managerial tools and formal management systems (St. John, 1980). Therefore, the above conclusions focus on issues that concern entrepreneurs, owner-managers, and managers in micro, small, medium-sized, and large firms.

Entrepreneurs and owner-managers in charge of decision-making in small businesses should consider the advantages of responsible strategies for dealing with relevant stakeholders. For instance, they can make their firms attractive to external stakeholders such as potential employees by publicizing the high quality of their employee relations. Often, small businesses are strongly embedded within their local communities, employing the majority of the population in their area and influencing the community's wellbeing; nevertheless, they fail to attract high-quality human resources because of competition with large firms. Therefore, well-structured, transparent, and clearly communicated CSR strategies might generate competitive advantage for small businesses.

On the other hand, managers in large firms should carefully consider ways to improve efficiency while managing CSR strategies. For example, consider the advantages associated with initiating environmental management systems; in fact, taking into due account energy and water consumption, packaging recovery, and waste management can accomplish cost savings while improving financial and environmental performance in the long run. Second, CSR strategies that focus on employees can increase their productivity, once again with a positive impact

on the financial performance of the firm in the long run. Finally, defining rules of governance based on specific accountability principles might improve shareholder relations as well as those with the financial community.

Therefore, entrepreneurs, owner-managers, and managers in charge of defining specific responsible behaviors in micro, small, medium-sized, and large firms should consider activating CSR strategies that improve productivity. Such measures target not only business ethics but also value creation, the most important issue managers have to deal with (Figge and Schaltegger, 2000).

Implications for future research

In brief, the results highlight that a positive answer to the research questions presented in this article is not always the case. Therefore, more attention to and more research on the degree of formalization of CSR strategies and their integration into explicit management systems are required to improve our knowledge of these important issues and contribute to defining better managerial practices in micro, small, medium-sized, and large firms. Researchers interested in the CSR-SME relationship should explore those factors that influence the success of specific CSR tools for SMEs. Examples of such factors can be different: (a) cost: methodologies that are expensive to buy or to implement are likely to see a lower uptake; (b) simplicity: the best CSR tools for SMEs will be those that are simple and not excessively time- and resource-consuming to operate; (c) degree of integration into the existing practices: ideally new implements should be linked to or even integrated into the existing behavioral patterns (European Commission, 2007).

Future research is also needed to better define the differences and similarities among firms of different size with a focus on new issues associated with responsible practices. Innovation, corporate governance, industrial relations, and the supply chain are some of the new issues that will occupy further research into CSR. Although the above issues can be easily associated with large firms, researchers should carefully consider that small businesses are becoming increasingly aware of their responsible behaviors, but more work is needed on how to transform such awareness into opportunities for small businesses.

Considering the supply chain management as an example, CSR might bring direct advantages to the SME suppliers, for example by leading them to improvements in their own operations. Therefore, dialogue and knowledge transfer on CSR issues between suppliers and buyers can lead to longer-lasting and deeper relationships. Moreover, researchers focusing on innovation issues have to consider CSR as a source of innovation since a focus on societal problems and a strong interaction with their stakeholders lead companies to develop new business models, products, and services also through specific partnerships (Brugmann and Prahalad, 2007).

Finally, our study demonstrates that significant differences exist among the tools and activities of firms classified as SMEs. In fact, micro, small and medium-sized enterprises show different managerial approaches to CSR strategies and different socially responsible behaviors. This also implies that different CSR issues and stakeholder interests are addressed. Therefore, new studies are needed to investigate not only the behavioral patterns that differ between SMEs and large firms, but also those that differ within the SME category.

Note

¹ An anonymous reviewer provided especially helpful comments on these arguments.

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Appendix 1

Questionnaire and variables

The questionnaire has been structured to identify CSR strategies, represented by CSR activities and CSR tools. CSR activities have been defined as those activities carried out by Italian companies in the CSR field (e.g., briefings with employees, sponsorships, giving, etc); CSR tools have been defined as those managerial implements used to promote CSR within and outside the firm’s boundaries (e.g., ethical codes, social reports, environmental reports, environmental management systems, etc). Variables have been measured as discrete for each CSR strategy and coded 1 if firms implement a specific strategy, 2 if firms are going to implement a specific strategy, 3 if firms do not implement, but are considering the opportunity to implement a specific strategy, 4 if firms do not implement a specific strategy, 5 if firms do not answer the question.

To reach this aim, 27 questions listed below have been used and proposed to the firms through the *computer-aided telephone interviews* (CATI) method. CATI is a telephone surveying technique in which the interviewer follows a text provided by a software application. The software is able to customize the

Variable (alphabetic order)	Definition
Alternative energy	Did you implement programs for developing alternative energy beyond legal requirements?
Briefing with employees	Do you have periodic briefings with your employees?
Cause-related marketing	Is your company involved in cause-related marketing?
Corporate activities for employees’ benefit	Do you organize corporate events (e.g., travels, tournaments, etc.)?
Corporate advertising	Did you communicate social messages within your advertising?

continued

Variable (alphabetic order)	Definition
Corporate internal communication	Do you facilitate internal communication (e.g., intranet, magazine, newsletter, etc.)?
Customers' selection	Do you ask for specific certifications from your customers?
Disadvantaged persons	Do you hire disadvantaged persons beyond legal requirements?
EMAS and ISO14001	Do you have EMAS and/or ISO14001 in your firm?
Energy reduction	Did you implement programs for energy reduction beyond legal requirements?
Environmental report	Do you have an environmental report?
Ethical code	Do you have an ethical code available to the public?
Flexible working time	Do your employees benefit from flexible work time?
Giving	Did you make donations to the community?
Integrative medical care	Do you provide your employees with integrative medical care?
Noise reduction	Did you implement programs for noise reduction beyond legal requirements?
Packaging recovery	Did you implement programs for packaging recovery beyond legal requirements?
Pollution reduction	Did you implement programs for pollution reduction beyond legal requirements?
SA8000	Do you have SA8000 certification?
Social report	Do you have a social report?
Sponsorship	Did you carry out sponsorship activities?
Subsidised financing	Do you provide your employees with subsidized finance?
Suppliers' selection	Do you ask for specific certifications from your suppliers?
Training activities	Do you implement training programs for your employees?
Volunteering	Do you encourage your employees toward volunteer activities?
Waste management	Did you implement programs for waste management beyond legal requirements?
Water reduction	Did you implement programs for water reduction beyond legal requirements?

flow of the questionnaire based on the answers provided, as well as information already collected about the interviewee.

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