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SMALL STEPS, BIG IMPACT: NAVIGATING SOCIAL RESPONSIBILITY WITH A SOCIAL INNOVATION FOCUS IN SMES

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Abstract. This study explores the characteristics that influence the adoption of social responsibility by small and medium-sized enterprises (SMEs) and its potential link to social innovation. The present study employs a qualitative multi-case study methodology in order to explore SME perspectives on social responsibility and stakeholder influence. This exploration is conducted through the medium of semi-structured interviews with ten SME representatives. In-depth analysis within and across cases reveals clear patterns. The findings highlight the availability of resources as a significant barrier to integrating social responsibility into SME business operations. The willingness to embrace social responsibility is primarily shaped by the personal beliefs of SME managers, highlighting the key role of intrinsic motivation in upholding ethical standards. The owner-managed capital structure of SMEs facilitates independent decision-making with regard to social responsibility investments. Furthermore, this study highlights an evolutionary process: Initially value-driven SMEs gradually prioritise the integration of social responsibility as they mature over business cycles. Interestingly, employees emerge as the key innovators driving societal progress, and their well-being is a key incentive for active engagement in social responsibility. Moreover, the influence of employees, customers and the community on social responsibility decisions exceeds that of shareholders and investors. While certain stakeholders have significant influence over SMEs' commitment to social responsibility, these companies often fail to recognise the strategic benefits of such integration. Bridging this awareness gap could be achieved through the active involvement of stakeholders and the strategic recruitment of professionals with expertise in sustainable management. This study lays the groundwork for future research, encouraging the investigation of the relationship between resource endowments and SME engagement in socially responsible activities, and exploring stakeholder motivations that drive participation in socially responsible endeavours.

Keywords: social responsibility, social innovation, medium-sized enterprises (SMEs), sustainable management, investor trade, shareholders.

JEL Classification: M14, O35, G23

1. Introduction

Social responsibility has gained global attention among scholars and practitioners (Carroll, 1991; Carroll & Shabana, 2010; Fatima, & Elbanna, 2023; Jamali & Karam, 2018) and has become a central concern of business and society (Baden et al., 2009; Bahta et al., 2021). This overarching concept ranges from the company's commitment to addressing social and environmental issues (Carroll & Shabana, 2010; Jenkins, 2006; Santos, 2011) to promoting social innovation (Candi et al., 2017; Husted & Allen, 2007; Sigurdsson & Candi, 2019). However, the intersection of social responsibility and innovation remains a relatively underexplored area in the literature (Kim et al., 2021; MacGregor & Fontrodona, 2008), with only recent advances in research (Candi et al., 2017; Luo & Du, 2015; Sigurdsson & Candi, 2019).

Small and medium-sized enterprises (SMEs) are major drivers of economic growth and employment, accounting for 99% of OECD firms and creating

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85% of jobs (OECD, 2019). There has been an academic focus on promoting social responsibility in SMEs, but research in this area is limited (Baden et al., 2009; Berniak-Woźny et al., 2023; Spence, 2016). Existing literature often focuses on larger firms, largely overlooking the influential presence of SMEs (Baden et al., 2009; Spence, 2016). In particular, traditional views of social responsibility in large firms cannot be directly applied to SMEs due to inherent differences in their nature and operational dynamics (Spence, 2016; Spence & Lozano, 2000).

Social responsibility has gained considerable importance, encompassing social and environmental commitments (Baden et al., 2009; Carroll & Shabana, 2010) and social innovation (Cajaiba-Santana, 2013; Choi & Majumdar, 2015; Pasricha & Rao, 2018; Sigurdsson & Candi, 2019). While the explicit intersection of social responsibility and innovation is rarely discussed in the literature (MacGregor & Fontrodona, 2008), it is important to note a positive relationship between social innovation and customer acceptance, as demonstrated in previous studies (Sigurdsson & Candi, 2019). In addition, academic work emphasises that socially responsible activities are commitments aimed at meeting the needs of stakeholders (Harrison et al., 2010; Morsing & Perrini, 2009). Stakeholders, whether individuals or groups, have the potential to influence or be influenced by the organisation's objectives, as defined by Freeman (2010). Under this understanding, stakeholder theory (Freeman, 2010) explores the complex dynamics of a firm's engagement with its stakeholders.

Recognising the significant contribution of SMEs to economic growth, employment and local development (Lukács, 2005; OECD, 2019), this study provides insights into the barriers and drivers that influence the commitment to social responsibility and its alignment with social innovation in SMEs. It is important to note that there is a significant knowledge gap regarding social responsibility in SMEs and its link to innovation. This gap hinders a comprehensive understanding of the aspects that influence commitment to social responsibility and innovation, including the role of stakeholder interests (Bocquet et al., 2019; Freeman et at., 2010; Russo & Perrini, 2010). This underscores the research objective of shedding light on the central role of stakeholders in shaping SME engagement in social responsibility, leading to the formulation of the following research questions:

RQ1: What motivates SMEs to embrace social responsibility and engage in innovation activities with a social intent?

RQ2: How do stakeholders influence the adoption of social responsibility commitments in SMEs?

In order to address the research questions posed in this study, a qualitative multiple-case study was conducted, with a focus on the social responsibility and social innovation of SMEs. The study utilised the attributes of stakeholder theory (Donaldson & Preston, 1995; Freeman, 2010) in order to comprehend the motivations driving SME engagement. The present analysis encompasses two aspects of stakeholder behaviour. Firstly, it considers how stakeholders address social issues through innovation (*normative attribute*). Secondly, it explores how they influence and communicate commitment to social responsibility (*descriptive and instrumental attributes*) (Sigurdsson & Candi, 2019). Adopting a stakeholder perspective, the present study identified and evaluated the stakeholders influencing social responsibility commitment in SMEs. Furthermore, the need to distinguish between discussion of social responsibility (*talking*) and its practical implementation (*walking*) is stressed (Baumann-Pauly et al., 2013).

This study contributes to the existing literature on SMEs, social responsibility and social innovation by addressing a recognised gap in understanding SMEs' engagement in social responsibility (Morsing & Perrini, 2009; Spence, 2016). Understanding the current engagement of SMEs in social responsibility is crucial for decision makers to identify necessary improvements (Morsing & Perrini, 2009). The practical relevance lies in understanding how SMEs communicate their socially responsible activities and integrate social responsibility, potentially leading to social innovation. Furthermore, investigating the implementation of social responsibility through stakeholder engagement can provide valuable insights into its benefits (Bocquet et al., 2019; Sigurdsson, 2024).

In the next section, the research is structured using the stakeholder theory and its three attributes – social responsibility of companies and social innovation. In the following section, the methodology of the study and its results are described in detail. Finally, the paper discusses the findings, highlights the contribution of the study and suggests directions for future research.

2. Theoretical Framework

2.1 Stakeholder Theory

Stakeholder theory emphasises a natural alignment between social responsibility and an organisation's stakeholders (Carroll, 1991). Recognising and addressing the diverse interests of stakeholders, both primary and secondary, is seen as essential to the legitimacy of the management function, and meeting their needs is integral to the financial performance of the firm (Donaldson & Preston, 1995). Advocating a holistic perspective, Harrison et al. (2010) stress the need to consider how a company's socially responsible activities affect its relationships with stakeholders.

Stakeholders are individuals or entities that have a direct or indirect interest in the firm and that influence or are influenced by the firm's objectives (Freeman, 2010). Primary stakeholders, such as employees and customers, have direct interests, while secondary stakeholders, such as the environment or society, have indirect influence (Fassin, 2012).

Freeman (2020) defines stakeholders as *"any group or individual that can affect or is affected by the achievement of a corporation's purpose"* (p. 658). Embracing stakeholder theory, as advocated by Berg et al. (2018), posits that firms should consider the interests of all stakeholders. The prevailing view is that social responsibility activities are inherently linked to a stakeholder model, which encourages firms to establish socially responsible agendas that align with stakeholder expectations (Sigurdsson & Candi, 2019; Berg et al., 2018). As a result, companies often engage in social responsibility activities to meet ethical obligations, mitigate risks and enhance their overall reputation. This comprehensive approach recognises the interconnectedness between a company's social responsibility initiatives and the diverse interests of its stakeholders (Sigurdsson, 2024).

Mason and Simmons (2014) propose three attributes of stakeholder theory: *normative*, *descriptive* and *instrumental*. As articulated by Freeman (2010), the normative attribute views a firm's social obligations as explicitly moral and in the realm of ethics. This perspective generates a moral obligation to incorporate stakeholder interests into decision-making processes (Freeman, 2004). Consequently, a firm's social and ethical commitments are considered to strengthen the relationship between business and society (Garriga & Melé, 2004). The descriptive attribute, explained by Donaldson & Preston (1995) and Mitchell et al. (1997), explains what a firm is, what it does and how it interacts with stakeholders. It is concerned with *"how companies relate to stakeholders and why they relate to them as they do"* (Brickson, 2007, p. 865). Concomitantly, the instrumental attribute, characterised by its strategic nature, implies that social responsibility can be regarded as behaviour intended to enhance performance (Brickson, 2007; Jensen, 2002). Consequently, from an instrumental perspective, firms engage in social responsibility because it is beneficial to them (Garriga & Melé, 2004; Nybakk & Panwar, 2015).

As Mason and Simmons (2014, p. 81) have demonstrated, the three attributes of stakeholder theory *"do not represent a zero-sum game whereby acceptance of one obviates the other"*, thus suggesting that firms can embody more than one attribute of stakeholder theory.

2.2 Stakeholder Influence on SMEs Social Responsibility

In the context of SMEs, the present framework explores the dynamics of stakeholders, the practices of communication, and the commitment to innovation. The unveiling of stakeholder roles, the exploration of communication strategies, and the assessment of innovation integration collectively shape the social responsibility endeavours of SMEs. Within a broader social system, SMEs are faced with the potential influence of different stakeholders on their corporate social responsibility initiatives. The framework, Figure 1, provides an overview of the theoretical concepts aligned with the research objectives outlined in the introduction, and provides insight into the interrelationship of the conceptual model.

The objective of this study is to elucidate the interconnections and synergies among these elements, thereby providing a comprehensive understanding of SMEs' contributions to societal progress through innovative solutions. In addressing Research Question 1 (RQ1), the study explores the motivations behind SMEs' adoption of social responsibility and engagement in innovation activities with a social intent. Additionally, Research Question 2 (RQ2) guides the investigation into the influence of stakeholders on the adoption of social responsibility commitments in SMEs. The integration of these research questions with the framework will elucidate the intricate dynamics that collectively shape SMEs' social responsibility endeavours and contribute to their societal impact.

The present framework explores the manner in which various stakeholders shape the contributions of SMEs to society, thereby influencing both social responsibility and subsequent innovation. The model integrates a commitment to social responsibility, which in turn propels innovation with added social value. It is vital to acknowledge and employ the stakeholder influence on social responsibility in a strategic manner, as this provides SMEs with valuable insights and guides innovative approaches that contribute to societal progress and well-being. This integrated model aligns social responsibility with the potential for social innovation, thus advancing the overarching theme of this research.

2.3 Social Responsibility Defined and Conceptualised

The argument can be made that all businesses should be socially responsible. The term "CSR" was first coined during the period between 1945 and 1960 (Carroll & Shabana, 2010), yet it still lacks a universally accepted definition (Lampadarios et al., 2017; Zahoor et al., 2020). The extant research

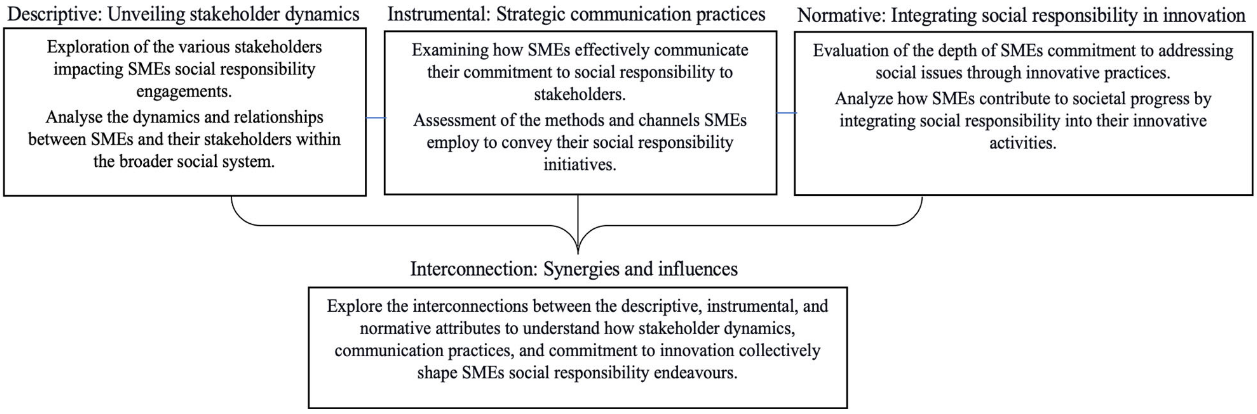

Figure 1. Integrated framework for SMEs social responsibility: Unveiling stakeholder dynamics, strategic communication, and innovative commitments

and theories predominantly focus on large firms, which makes direct application to small businesses challenging (Murillo & Lozano, 2006). This paper employs the term "social responsibility", acknowledging its relation to CSR but tailoring it to the specific context of SMEs (Jamali et al., 2009; Wickert et al., 2016). This term encompasses activities in smaller firms that contribute to positive social changes (Soundararajan et al., 2017).

In articulating the necessity of societal goals and values being considered in the conduct of firms, Bowen (1953) emphasised the role of managers. In the context of stakeholder theory, social responsibility is defined as the conscientious evaluation by firms of all activities that impact the firm and its relationships with stakeholders, as part of fulfilling their economic responsibilities and willingly contributing to social and sustainability concerns (Fernando et al., 2022; Mani et al., 2018; Schaefer, 2004). Carroll (1979) defined social responsibility as "society's collective expectations at a given time", encompassing economic, legal, ethical, and discretionary dimensions for businesses. As Holme and Watts (2017) outlined, social responsibility denotes a firm's formal or informal commitment to ethical conduct, contributing to economic development and enhancing the quality of life for employees, the local community, and society. This commitment extends beyond financial aspects, signifying an ongoing obligation for firms to be accountable to their stakeholders (Turker, 2009).

A powerful addition to the literature on social responsibility is the *"triple bottom line"* introduced by Elkington (1999). This framework aims to harmonise the company's impacts across social, environmental and economic dimensions (Latapí Agudelo et al., 2019). Carroll (1999) posits that the economic system should contribute to overall socio-economic welfare. Sarkar and Searcy (2016) provide a refined definition and support this notion with empirical evidence:

"Social responsibility implies that firms must foremost assume their core economic responsibility and voluntarily go beyond legal minimums so that they are ethical in all of their activities and that they take into account the impact of their actions on stakeholders in society, while simultaneously contributing to global sustainability." (p. 1433)

Sarkar and Searcy's (2016) definition emphasises the ethical dimension, a recurring aspect. Kumar et al. (2006) state that social responsibility involves balancing the ecosystem and the economy to enhance societal well-being and environmental sustainability. It positions social responsibility as an ethical endeavour in which society plays a central role. As a result, Hopkins (2012) notes that there is a consensus that the overarching goal of social responsibility is to ensure corporate profitability while contributing to societal well-being.

Accepting social responsibility is a fundamental aspect of business. However, when a firm actively commits to formal social responsibility, it goes beyond recognition and adopts a formally articulated stance (Sigurdsson, 2024). This commitment changes the signals sent to stakeholders and changes internal attitudes and behaviours. Managers and employees experience shifts in self-perception that influence their motivation to align consistently with the formal strategy (Scott & Lane, 2000). This deliberate step represents an integration of social responsibility into the firm's culture.

2.4 SMEs and Social Responsibility

The importance of SMEs is widely recognised; however, the lack of a universally accepted definition poses a challenge (Harvie & Lee, 2002; Lampadarios et al., 2017). Different indicators, including number of employees, investment capital and turnover, contribute to different definitions of SMEs (Sundararjan et al., 2018). This diversity in the characterisation of

SMEs poses a hurdle in establishing a standardised understanding of this important sector.

SMEs constitute 99.8% of the EU economy and employ approximately 64.4%, with an added value of 51.8 (European Commission, 2023), which is in line with the OECD (2019) report on SMEs. It is noteworthy that the economy is heavily reliant on SMEs, accounting for 64.2% of total employment and generating 61.8% of overall value added (European Commission, 2023). It is imperative to acknowledge the pivotal role that SMEs play in the economic landscape. In order to influence the economy, society, and the SMEs themselves, it is essential to understand their current social responsibility activities (Morsing & Perrini, 2009). Furthermore, the pivotal role of SMEs in local communities highlights the necessity for an examination of their social responsibility engagement (Castka et al., 2004). Consequently, efforts have been made to encourage SMEs to participate in the social responsibility agenda (Baden et al., 2009).

In redefining theories about SMEs, it is important to move beyond the view that they are simply scaled-down versions of larger firms. Studies suggest a positive correlation between firm size and commitment to social responsibility (Lepoutre & Heene, 2006; Perrini et al., 2007; Sharma, 2000). This correlation suggests that larger firms are more committed to social responsibility practices than their smaller counterparts (Kucharska & Kowalczyk, 2019). However, understanding the specific motivations and vulnerabilities of smaller firms is crucial (Westhead & Storey, 1996). Freeman et al (1983) identify two key characteristics of SMEs: the liability of smallness and the liability of newness. The former highlights the constraints associated with firm size and resources that make smaller firms more vulnerable to internal and external problems, such as the departure of key personnel and economic downturns (Eggers, 2020). The latter refers to the novelty of a firm and highlights startups as a special category within SMEs.

In contrast to the dominant focus on large firms in corporate social responsibility research, arguments against extending scrutiny to SMEs often highlight characteristics such as small size and resource constraints as barriers to social and environmental initiatives and innovation (Ciliberti et al., 2008; Perez-Sanchez et al., 2003; Strobel & Kratzer, 2017). This initially leads SMEs to prioritise economic objectives, which has a direct impact on profitability (Walker & Preuss, 2008). The reluctance of SMEs to engage in social responsibility is often attributed to perceived additional costs (Lepoutre & Heene, 2006). This is in line with Friedman's (1970) view that socially responsible activities have costs that affect shareholder interests and lead to lower profits. According to this reasoning, the perceived costs of socially responsible activities outweigh the potential revenues.

From a strategic perspective, SMEs often lack a clearly defined social responsibility strategy, resulting in an ad hoc approach driven by emergent processes rather than deliberate planning (Egels-Zandén, 2017; Jamali et al., 2009; Mintzberg & Waters, 1985). Adopting a gradual approach is imperative for surmounting obstacles and incorporating efficacious social responsibility strategies (Vives, 2022). Despite the heterogeneity in their social responsibility processes, SMEs evince a pronounced emphasis on pivotal organisational functions (Spence & Lozano, 2000). This pragmatic orientation is reflected in their inherent action-oriented nature, prioritising doing over explicit articulation (Fassin, 2008), and showcased in their adaptability, creativity, innovation, and flexibility (Egels-Zandén, 2017; Jenkins, 2006).

2.5 Reporting on Social Responsibility

Gray et al. (1996, p. 3) define social responsibility reporting as *"the process of communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and society at large"*. The concept of social responsibility reporting has been demonstrated to encompass self-presentation and impression management in order to satisfy a diverse range of stakeholders (Hooghiemstra, 2000; Patten, 2002; Snider et al., 2003). Despite the assertion that social responsibility reporting activities are slowly gaining advocacy and remaining somewhat underdeveloped (Khan et al., 2018), there has been a noticeable increase in social responsibility reporting at both national and global levels in recent years, manifesting in both formal and informal formats (Golob & Bartlett, 2007; Tschopp & Huefner, 2015; Russo & Tencati, 2009).

Large companies communicate their social responsibility through reports, websites, social media and advertising, enjoying greater visibility than SMEs, which are often overshadowed (Soundararajan et al., 2018; Spence, 2016). Despite the influential contributions of SMEs, their social responsibility reporting receives limited attention (Parsa & Kouhy, 2008; Soundararajan et al., 2018), creating a gap in understanding how it impacts the competitiveness of SMEs (Wickert et al., 2016). Informal management in SMEs can contribute to a chaotic working environment, preventing these companies from meeting the complex reporting expectations of stakeholders (Baumann-Pauly et al., 2013; Ram et al., 2001). Consequently, SMEs are compelled to strategically communicate their social responsibility initiatives to stakeholders (Boyd et al., 2010; Sigurdsson, 2024; Taghian et al., 2015), with the aim of achieving objectives beyond mere profit maximization. These objectives include fostering accountability among various stakeholders for the firm's actions (Werther & Chandler, 2010).

The manager's perception of social responsibility has evolved from a moral initiative (Bowen, 1953) to an integral component of a firm's strategy and success (Kotler & Lee, 2005; Ortiz-Avram et al., 2018). The integration of social responsibility reporting into SME strategies is indicative of a unique role in fulfilling commitments, with an emphasis on the triple bottom line – that is, the economic, environmental, and social dimensions (Hussain et al., 2016). The alignment of this with the social responsibility strategy can assist SMEs in meeting stakeholder expectations, a process which has the potential to result in competitive advantages (Panwar et al., 2016). However, SME managers may prioritise a single bottom-line benefit, diverting attention from strategic improvements (Kumar et al., 2006; Matthews et al., 2019) and comprehensive social responsibility reporting. Resource constraints hinder formal implementation in SMEs, with larger counterparts adopting measures such as certification or regular reporting (Ortiz-Avram, 2018). Thus, social responsibility reporting in SMEs often relies on informal, ad hoc dialogue with stakeholders (Baumann Pauly et al., 2013; Fassin, 2008; Russo & Tencati, 2009; Wickert, 2016).

2.6 Social Innovation and the Link to Social Responsibility in SMEs

The conceptualisation of social innovation in academic discourse remains undefined (Cajaiba-Santana, 2014; Sigurdsson & Candi, 2019). Candi et al. (2018) enrich the ongoing discourse on social innovation by presenting three different perspectives on its social dimension and introducing the term *"innovation including social intent"*, highlighting the input of social considerations into the innovation process (p. 1019). Another perspective, identified by Candi et al. (2018), aligns the social dimension of innovation with a business ethics framework. This perspective emphasises the creation of shared value for all stakeholders involved with the firm, which resonates with the ethical underpinnings of social responsibility discussed earlier.

The European Commission's (2018) annual report on European SMEs revealed that a mere 49.5% of SMEs participated in innovation activities. The challenges associated with innovation in SMEs encompass issues such as the *"costs of undertaking innovation, lack of internal and external funding, insufficient required skills, and complexities and difficulties in accessing public grants and subsidies"* (European Commission, 2018, p. 58). Despite these challenges, maintaining engagement in social responsibility activities through innovative actions (Candi et al., 2018) remains crucial for SMEs, with economic conditions continuing to play a key role in shaping their ability to do so.

Stakeholder demands are expected to drive SMEs by values with an initial focus on social responsibility or by values that emphasise innovation. MacGregor and Fontrodona (2008) developed a model that translates social responsibility into a framework for SMEs. They characterised social responsibility as an innovation process that is often underutilised by small firms due to a lack of formalisation and proactive behaviour (MacGregor & Fontrodona, 2008). In this context, the majority of SMEs are founded with a core value related to social responsibility, aligning with the concept of innovation-driven social responsibility (Herrera, 2015; Candi et al., 2018).

Despite its resilience in different contexts, social innovation remains difficult to define precisely, possibly due to its inherent ambiguity and the lack of a clear, universally accepted definition, which allows different stakeholders to ascribe different meanings to it (Marques et al., 2018). This lack of clarity is evident when applying social innovation to activities that have previously been studied using different conceptual frameworks, such as community development or governance. This ambiguity has led to the concept being co-opted by different actors with different agendas, including the political right, which can use the term to justify investment in the third and private sectors and advocate the dismantling of the welfare state by promoting grassroots initiatives as a superior approach to welfare provision (Goldsmith et al., 2010).

3. Methodology

This study delves into the multifaceted landscape of barriers and drivers that shape SMEs' commitment to social responsibility, and examines how it aligns with social innovation. This research uses a qualitative multiple case study approach to provide a robust methodology for gaining in-depth insights and understanding the dynamics across different companies.

3.1 Case Selection

Snowball sampling was used to construct a representative sample of European SMEs. This method was used to identify relevant cases, and the search continued until additional cases yielded limited new insights, indicating data saturation. Initially, interviewees from a pilot case suggested potential firms, and further recommendations were gathered from subsequent cases, ensuring a diverse and comprehensive selection. In accordance with the stringent inclusion criteria established by the European Union, the selected SMEs fulfilled specific quantitative criteria, characterised by a workforce of fewer than 250 employees, an annual turnover

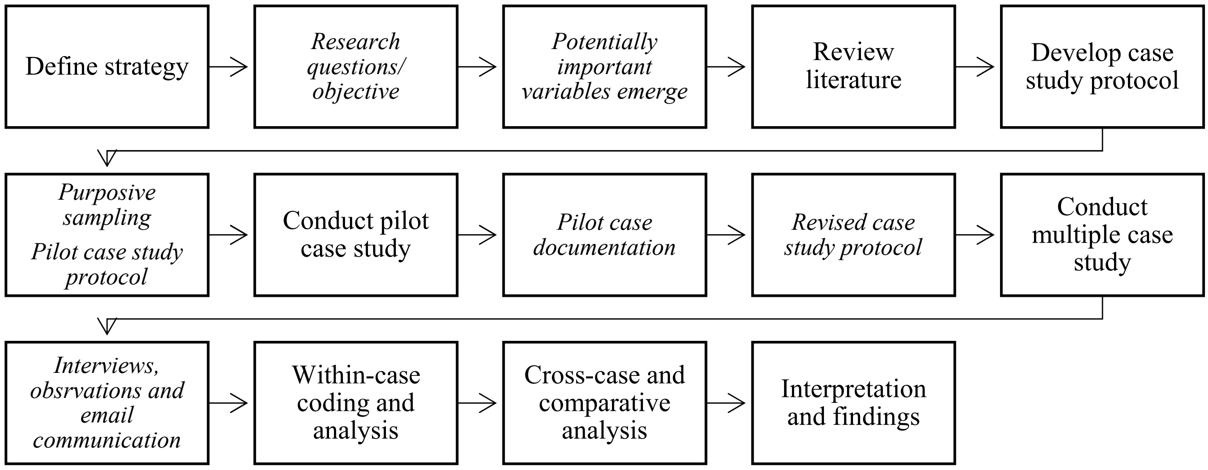

Figure 2. Research strategy

not exceeding 50 million EUR, and a balance sheet total below 42 million EUR (European Commission, 2018). This sampling methodology is consistent with established standards, thereby ensuring the robustness and generalisability of the findings to the broader European SME context.

A pilot case study was conducted to identify key themes, which subsequently guided the selection of additional cases within the research framework. The study explored the dynamics influencing European SMEs' social responsibility commitments and their approaches to stakeholder engagement, particularly in relation to potential social innovations. These themes were carefully selected to align with the research objectives and to ensure that each case provided meaningful insights into how these factors manifest themselves in different European SMEs. Of the fifty-eight SMEs contacted, ten agreed to participate in the study. In-depth interviews were conducted with managers and key individuals they identified within these SMEs, in order to gather comprehensive insights. Following the guidance of Fusch and Ness (2015), data saturation, the point at which no new data or themes emerge, was achieved after conducting 29 interviews across the ten selected cases.

3.2 Data Collection

The study used semi-structured interviews to capture the real-time perspectives of SME respondents. The interview protocol, initially semi-structured, evolved as necessary to incorporate emerging insights throughout the process. The interviews explored topics such as the historical context of corporate social responsibility activities within the companies and their motivations for engaging in social innovation. Prior to the interviews, the SMEs' websites were analysed

Table 1
Summary profiles of the case firms

Firm	Sector	Number of interviews N=29	Interviewees	Time/ hours	Number of employees
A*	IT consulting and marketing	6	CEO and managers	2.5	19
B	Business intelligence and consulting	2	CEO and managing director	1.5	63
C	IT and digital media	3	CEO and social responsibility manager	2	122
D	Software and technology development	2	CEO and founders	3	17
E	IT and software consultancy	3	CEO and HR manager	2	107
F	Media and telecommunications technology	2	Managing director and founder	2	13
G	IT - Application development	3	Managing director	2	21
H	IT services	2	Managing director	2	36
I	IT development and consulting	2	CEO and HR manager	3	163
J	Software development for renewable energy solutions	3	CEO and chief of CSR	2	169

to increase the reliability of the study. The average length of the 29 interviews conducted with ten SMEs was approximately 47.5 minutes, with each interview ranging from 25 to 70 minutes. Follow-up interviews, email communications and telephone conversations were used as necessary to gain further insight (Johl & Renganathan, 2010).

Each interview began by asking about the existence of a formally defined corporate social responsibility strategy within the company. In cases where respondents were unsure, a definition of the term was provided for clarity. Respondents who confirmed the existence of a formal social responsibility strategy were then asked to provide supporting evidence, such as formal written documentation.

3.3 Data Analysis

The interviews were recorded and transcribed using Amberscript, an online transcription service. In order to enhance the robustness and reliability of the findings, the process was initiated with independent coding of the data. This was followed by collaborative sessions to ensure consensus, in accordance with Eisenhardt's (1989) approach. The data analysis process was initiated with within-case coding and subsequently advanced to cross-case coding, as Gioia et al. (2013) have recommended. The collaborative cross-case analysis was conducted in accordance with the recommended comparative analysis method (Ragin, 2014).

4. Findings

The analysis of the data identified four main themes for social responsibility in SMEs, each with several subthemes: 1. Practices and motivation (10 subthemes), 2. Measuring reporting practices (6 subthemes), 3. Stakeholder engagement (6 subthemes), and 4. Social innovation (13 subthemes).

4.1 SMEs Practices and Motivations Regarding Social Responsibility

Table 2 shows 10 sub-themes of SME practices and motivation for social responsibility, together with a description of each sub-theme and the results of the cross-case comparative analysis. The analysis shows that SMEs adopt different approaches, ranging from regional support to community involvement and environmental protection. A common focus for all SMEs is stakeholder involvement, in particular the prioritisation of employee welfare and responsibility.

Adaptability is crucial for firms B, C, D, F, H and I, enabling them to navigate effectively in dynamic market conditions. Transparency plays an important role, with firms F and J using honesty to build customer loyalty, firms A and D focusing on internal transparency, and firms E and H using it to mitigate conflict. Firms B, C, D, G and I prioritise creating a sustainable working environment, emphasising employee wellbeing and fostering a positive company culture.

Table 2
Social responsibility practices and motivations in SMEs

Categories	Descriptions	SMEs
Adaptability	Dynamic market response, crisis management	B, C, D, F, H, I
Sincerity	Internal transparency, conflict mitigation, customer loyalty	A, D, E, F, H, J
Building relationships	Co-operation, community integration	A, B, G
Collaborative partnership	Adaptation to market demands, supplier continuity	F, J
Sustainable work environment	Employee well-being and firm culture	B, C, D, G, I
Firm growth	Survival in competitive markets	C, G, H, I, J
Economic and social values	Valuing employees as vital assets	A, H, I, J
Stakeholder involvement	Prioritising employee well-being and responsibility	All SMEs
Perception of social responsibility	The undertaking of a beneficial action	C, F, I, J
Intrinsic motivation	Correct course of action is taken	C, D, E, H

Table 3
Measuring social responsibility in SMEs

Categories	Descriptions	SMEs
Informal and local reporting	Informal reporting	All SMEs
Formal reporting for distinct purposes	Formal reporting	A, E
Lack of strategic approach to social engagement	Ad hoc planning	All SMEs
Strategic approach to social responsibility	Formal strategy	A, H
Scarce metrics for social responsibility	Limited metrics use	All SMEs
Measurability priority	Critical figure model	A, J

Several companies, including A, H, I and J, are committed to sustainable practices, underlining a focus on employee welfare and broader social well-being. Intrinsic motivation, characterised by the desire to 'do the right thing' and achieve personal satisfaction, drives companies C, D, E and H. These companies see social responsibility not just as a business strategy but as a moral obligation, reflecting a commitment to ethical values.

The concept of social responsibility is subject to variation in perception, with firms C, F, I, and J considering it to be inherently beneficial and congruent with their values. In contrast, firms C, G, H, I, and J regard firm growth as imperative for competitiveness in marketplaces, thereby demonstrating a balance between economic prosperity and social values. Furthermore, firms A, B, and G underscore the significance of fostering relationships through community integration and co-operation, exemplifying a pronounced dedication to collaborative endeavours.

4.2 SMEs Commitment to Social Responsibility and Stakeholder Communication Strategies

Measuring social commitment

How SMEs measure their social engagement reveals a diverse landscape characterised by varying levels of formality and strategic approaches. Most SMEs report informal and localised social responsibility through social media and their websites, emphasising branding over intrinsic commitment. Formal reporting is only practised by firms A and E. The findings suggest that most SMEs lack strategic approaches to social engagement, perceiving formal strategies as contrary to their intrinsic nature. Exceptions are firms A and H, which demonstrate formal strategic approaches.

Metrics for measuring improvements in social responsibility are particularly scarce, with the prevailing view being that such metrics primarily serve stakeholders with access to financial resources. Exceptions include companies A and J, which prioritise measurability using a critical number model for project delivery.

Stakeholder engagement in socially responsible activities

Examining the involvement of SMEs in socially responsible activities highlights the dynamics of decision-making and the focus of engagement. The authority for such decisions lies predominantly with the management, particularly with directors who are committed to a holistic approach. Despite centralised decision making, SMEs value joint dialogue and emphasise the centrality of employee suggestions, especially in the area of social responsibility.

Participation in social responsibility activities is particularly human-centred in SMEs, with a philanthropic orientation. The focus varies, with community support and involvement as a primary area, encompassing diverse activities such as fundraising and donations. Employee welfare is a second priority area, characterised by a range of activities. Environmental action is the third area, with targeted initiatives by a subset of companies actively addressing sustainability issues.

Collaboration with stakeholders is an important incentive for SMEs to engage in socially responsible activities, companies B, G, H. Examples include productive collaboration with customers, using partner networks for business innovation and involving the local community in projects.

4.3 Social Innovation Landscape in SMEs

Companies B, D, G and J adopt an informal, open innovation process, emphasising mutual exchange and valuing employees as key innovation contributors. While their primary focus is on customer orientation, these SMEs, in particular D, G and J, extend their objectives beyond mere customer satisfaction. In contrast, the more formalised SMEs A, E, F follow a structured innovation process and set intervals for project evaluation.

The overall objective remains customer satisfaction and profitability. However, firm A uniquely links social responsibility criteria to user behaviour, indicating a broader purpose.

SMEs C, H and I show an integrated innovation structure that combines an open culture within a formal

Table 4
SMEs social responsibility engagement

Categories	Descriptions	SMEs
Centralised decision-making with managing directors	Centralised authority	All SMEs
Valuing employee input	Collaborative decision-making	All SMEs
Focus on community support and involvement	Fundraising, donations, projects	All SMEs
Employee well-being initiatives	Waste separation, environmental valuation	All SMEs
Environmental action	Limited metrics use	All SMEs
Collaborations with stakeholders	Productive collaborations, network utilisation, community involvement	B, G, H

Table 5
Social innovation in SMEs

Categories	Descriptions	SMEs
Innovation process	Informal, open process; mutual exchange; valuing employees as key contributors	B, D, G, J
Focus beyond customer satisfaction	Extending goals beyond customer satisfaction; community engagement; sustainable practices	B, D, G, J
Formalised innovation process	Co-operation, community integration	A, E, F
Alignment with social responsibility	Aligning social responsibility criteria with user behaviour	A
Integrated innovation structure	Blending open culture with formal framework; top-down and bottom-up approaches	C, H, I
Responsive innovation	Learning by doing; leveraging employee-generated ideas; responsiveness to customer and market demand	C, H, I
Sustainability as a primary driver	Integrating societal benefits; emphasis on energy transition and responsible resource use	B, E, J
Digitalisation in sustainability initiatives	Introducing sustainable solutions through digitalised support	C, D, H
Social innovation projects aligning with environmental concerns	Projects with a focus on social innovation related to environmental issues	A, F, G
Problem-solving as a driver	Secondary driver; addressing customer-centric issues and broader social and ecological challenges	All SMEs
Recognition of insufficiency in financial stability	Viewing social innovation as insufficient for financial stability	C, G, J
Social Innovation as complementary revenue streams	Acknowledging initiatives as complementary rather than primary revenue streams	C, G, J
Recognising negative impacts of operations	Active contribution to the development of social innovations; focus on problem solving, aligning solutions with social needs	All SMEs

Table 6
Attributes of stakeholder theory in social responsibility practices

Stakeholder theory attributes	Findings from SMEs
Normative	Firms A, H, I and J are actively implementing sustainable practices. The study of SMEs' perceptions reveals nuances in the understanding of social well-being and the environmental dimension. There is a distinction between social responsibility and environmental aspects, which indicates the need to integrate them. SMEs express a sense of social obligation. Firm G stands out for its commitment to social responsibility.
Descriptive	Firms B, C, D, F, H and I demonstrate the adaptability that is crucial for dynamic market navigation. Sincerity and transparency play a crucial role, but in different ways in different companies. Firms B, C, D, G and I prioritise a sustainable working environment. SME values show a dualism with a close relationship between economic stability and socially responsible behaviour. Social responsibility practices range from supporting the region to active participation in community life.
Instrumental	Firms B, D, G and J use an informal innovation process, emphasising mutual exchange and valuing employees. Some SMEs are actively engaged in sustainability. The success of innovation depends on responding to customer and market demand. Sustainable development is the main driver of social innovation. Social innovations are seen as a source of income, but it is recognised that this is not sufficient for financial stability.

framework. Combining top-down and bottom-up approaches, these companies emphasise learning by doing and the use of employee-generated ideas. Successful innovation depends on responsiveness to customer and market demand.

The secondary driver is problem solving, ranging from customer-centric issues to broader social and environmental challenges. For companies B, E and J, sustainability emerges as a primary driver for social innovation. SMEs integrate societal benefits into product development, with a focus on energy transition and responsible use of resources. Digitalisation plays a role, with companies D, C and H introducing sustainable solutions through digitalised support. Projects emphasising social innovation by A, F and G are aligned with environmental concerns.

Although social innovation is seen as a source of income, C, G and J acknowledge that it is not sufficient for financial stability. These initiatives are seen as complementary rather than primary sources of income. In essence, SMEs recognise the negative impacts of their operations and actively contribute to fostering social innovation, emphasising problem solving and aligning solutions with societal needs.

4.4 Unveiling Dimensions: Normative, Descriptive, and Instrumental Attributes in Stakeholder Theory

The study reveals different dimensions of social responsibility practices among SMEs, consistent with the normative, descriptive and instrumental attributes of stakeholder theory. Firms A, H, I and J actively adopt sustainable practices, expressing a normative commitment to social responsibility. Descriptively, adaptability and sincerity play a crucial role, with SMEs demonstrating different approaches, such as prioritising a sustainable working environment. The instrumental perspective is evident in SMEs such as B, D, G and J, which use informal innovation processes for mutual exchange and recognise the importance of employees, emphasising social innovation as a complementary source of income. The findings underline the nuanced nature of SMEs' commitment to social responsibility, highlighting the multifaceted dimensions of their engagement.

7. Discussions

SMEs have been observed to adopt a variety of approaches to social responsibility, which are driven by a combination of intrinsic motivations, such as the desire to act in accordance with moral principles, and personal satisfaction, as well as practical considerations including adaptability, transparency, and sustainability. The range of practices exhibited by SMEs is broad, and includes regional support and community involvement, as well as environmental protection, reflecting a comprehensive commitment to societal well-being. This intrinsic motivation is consistent with the extant literature which portrays SMEs as being morally and ethically oriented in their social responsibility efforts (Spence & Lozano, 2000; Murillo & Lozano, 2006). However, this is at odds with the instrumental stakeholder theory perspective, which suggests that firms engage in social responsibility primarily for business benefits such as reputation enhancement (Donaldson & Preston, 1995; Jensen, 2002).

The study highlights that while most SMEs rely on informal and localised methods to report their social responsibility activities, some firms, such as A and E, adopt more formalised practices. This finding is consistent with Sigurdsson and Candi's (2019) observation that while SMEs may lack formal structures, their close relationships with stakeholders often lead to more genuine and direct communication. However, the lack of structured reporting may limit SMEs' ability to systematically evaluate and improve their initiatives, a concern that has been raised in the literature (Perrini et al., 2007).

Stakeholder engagement is a central aspect of SME social responsibility, with decision-making often centralised in management but heavily influenced by dialogue with employees and other stakeholders. This approach reflects the normative aspect of stakeholder theory, where companies engage with stakeholders without a moral obligation to meet their needs (Freeman, 2004; Garriga & Melé, 2004). The findings are consistent with the research of Sigurdsson and Candi (2019), which highlights the importance of stakeholder engagement in promoting socially responsible and innovative practices. By engaging closely with stakeholders, SMEs can ensure that their initiatives are aligned with stakeholder expectations, thereby increasing legitimacy and impact.

The integration of social innovation into business strategies is another key finding. SMEs are increasingly using sustainability and problem solving as drivers for innovation, supporting Sigurdsson and Candi' (2019) view that social responsibility can foster innovation. However, SMEs face challenges such as limited resources and difficulties in convincing customers of the social value added. These challenges are consistent with the broader literature on SME innovation (European Commission, 2018; Strobel & Kratzer, 2017). Despite these hurdles, SMEs show a strong commitment to aligning their business strategies with social innovation and contribute positively to societal well-being.

In conclusion, the social responsibility practices of SMEs are characterised by intrinsic motivations, informal reporting and collaborative stakeholder engagement, with social innovation playing a central role. In line with Sigurdsson and Candi's (2019) research, this highlights the potential of social responsibility to drive innovation, especially when SMEs are closely connected to their stakeholders. While challenges remain, such as formalising efforts and demonstrating the value of social innovation, SMEs show great promise in leveraging their social responsibility for societal and business benefits, supporting sustainable development and broader societal contributions.

Practical implications

The findings of this study suggest that SMEs can improve their corporate social responsibility efforts by adopting more structured reporting practices and more deliberately integrating social innovation into their business strategies. By formalising their reporting processes, SMEs can better demonstrate accountability and systematically improve their social initiatives. This, in turn, can build stakeholder trust and create new opportunities for business growth.

Furthermore, the fostering of stronger collaboration with stakeholders, in particular employees and local communities, has the potential to further align social responsibility activities with the needs and expectations of those directly impacted. This approach serves to enhance the social impact of these initiatives and reinforces the intrinsic values that drive SMEs, thereby supporting their long-term commitment to sustainable development.

Conclusions

This study makes a contribution to the understanding of social responsibility and social innovation within SMEs by highlighting the diverse practices, motivations, and stakeholder interactions that shape these efforts. The findings emphasise the intrinsic commitment of SMEs to social causes, the challenges in formalising reporting and measurement, and the potential of social innovation to address societal needs while supporting business objectives. The practical implications of this study suggest pathways for SMEs to enhance their social impact through structured reporting, inclusive stakeholder engagement, and strategic integration of social innovation. Future research directions offer opportunities to deepen and broaden this understanding, thereby supporting the continued evolution and effectiveness of social responsibility practices in the SME sector.

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