Employee engagement in CSR strategy making

Understanding SMEs’ behavior towards stakeholders and CSR

Raquel Steffler Machado, Jens Woestenberg

Department of Business Administration
Master’s Program in Marketing & Business Development and Internationalisation
Master’s Thesis in Business Administration III, 30 Credits, Spring 2018
Supervisor: Zsuzsanna Vincze
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Acknowledgements

We would like to express our sincere gratitude to our supervisor Zsuzsanna Vince for contributing with her time and valuable feedback throughout the whole process of this research. Her expertise and involvement were vital for the advancements of this study.

We are also thankful for the companies that were willing to participate in this study and were open to share their experiences with us.

We are grateful for Umeå University for providing the resources and incredible experiences during this Masters’ degree.

Umeå, 15th of May 2018
Raquel Steffler Machado and Jens Woestenburg

To my beloved parents, who have been relentless throughout this entire journey and have always encouraged and inspired me to achieve my goals. Essa vitória é nossa!

To my lovely husband, a constant source of smiles, laughs and support in all life adventures.

I love you and I am forever grateful.

- Raquel Steffler Machado

“I know that all I know is that I do not know anything” - Socrates. Knowing I know nothing has helped me to be open for new knowledge. Never think you know it all, because that is what makes one ignorant.

- Jens Woestenburg
Abstract

SMEs make up a large part of the global economy. Only in Sweden, for example, SMEs account for 61.3% of value added and employment (European Commission, 2016, p. 2). With such impressive presence, these firms exert a large impact on society and the environment. In an increasingly demanding and competitive landscape, organizations do not only have an economic responsibility to shareholders’ wealth, but also bear responsibilities towards society and the environment. With this shift, corporate social responsibility has become of significant importance and reshaped the way firms act and should act. Parallel to that, the evolving CSR paradigm has highlighted the need of stakeholder engagement in strategic decisions, as the growing importance of stakeholders is said to be the single most important element in the age of sustainability. Stakeholders affect and are affected by organizations and corporate decisions should thus take into consideration their needs and expectations. Opposing the “business of business is doing business” line of thought that dominated the business logic in the past decades, firms are now recognizing the significant importance of establishing and maintaining good relationships with stakeholders. With that, stakeholder engagement is argued to be one of the key aspects for an improved decision-making since it allows firms to integrate knowledge, generate mutual collaboration and mitigate risks, which in turn can lead to CSR strategies that are more aligned with stakeholders’ expectations and wishes and support responsible growth.

Although CSR and stakeholder theory are two vastly studied academic fields, few studies have explored the reality of CSR among SMEs and stakeholder engagement on an individual group of stakeholders such as employees. While vital for any company’s survival, employees exert an even more unique role in SMEs. Given the identified research gaps, the purpose of this study is to shed light on both CSR and stakeholder engagement focused on employees among SMEs. In order to gain a better understanding of the realities of both topics, we formulated the research question: How do Swedish SMEs engage employees in the CSR strategy-making from a management perspective?

With an inductive approach, a qualitative exploratory research study was chosen. From a mix of purposive and snowball sampling, eight semi-structured interviews were conducted among SMEs’ managers and CEO’s from firms in Umeå, Sweden. Our findings indicate that SMEs often have the willingness to engage employees in CSR decisions, but sometimes lack the knowledge and/or resources to promote this engagement. The most widely adopted means to foster employee engagement with CSR strategy-making is through informal discussions and talks during coffee breaks. Some companies also use more developed methods, such as town hall meetings, instant feedback mechanisms, anonymous notes and weekly employee surveys for this purpose.

Our study contributes to the growing literature on CSR among smaller firms and broadens the understanding of stakeholder engagement focused on one particular stakeholder group. This research also presents managerial implications into how SMEs’ can promote a more inclusive governance around strategy. We also expect to have contributed by promoting a further debate and reflection around CSR.

Keywords: CSR, Corporate Social Responsibility, CSR in SMEs, Small Medium Size Enterprises, stakeholder engagement, employee engagement, stakeholder theory
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>1.1</td>
<td>Problem background</td>
<td>1</td>
</tr>
<tr>
<td>1.2</td>
<td>Research Gaps</td>
<td>4</td>
</tr>
<tr>
<td>1.3</td>
<td>Research Purpose &amp; Research Question</td>
<td>5</td>
</tr>
<tr>
<td>1.4</td>
<td>Expected Contributions &amp; Study delimitations</td>
<td>6</td>
</tr>
<tr>
<td>1.4.1</td>
<td>Expected Theoretical contributions</td>
<td>6</td>
</tr>
<tr>
<td>1.4.2</td>
<td>Expected Managerial contributions</td>
<td>7</td>
</tr>
<tr>
<td>1.4.3</td>
<td>Expected Societal contributions</td>
<td>7</td>
</tr>
<tr>
<td>1.4.4</td>
<td>Study delimitations</td>
<td>7</td>
</tr>
<tr>
<td>2.</td>
<td>Theoretical Framework</td>
<td>9</td>
</tr>
<tr>
<td>2.1</td>
<td>Understanding Stakeholders</td>
<td>9</td>
</tr>
<tr>
<td>2.1.1</td>
<td>Stakeholder Theory</td>
<td>9</td>
</tr>
<tr>
<td>2.1.2</td>
<td>Stakeholder Identification &amp; Attributes</td>
<td>10</td>
</tr>
<tr>
<td>2.1.3</td>
<td>Stakeholder influence</td>
<td>12</td>
</tr>
<tr>
<td>2.1.4</td>
<td>Employees - Important Primary Stakeholder Group</td>
<td>12</td>
</tr>
<tr>
<td>2.1.5</td>
<td>Stakeholder Management &amp; Engagement</td>
<td>14</td>
</tr>
<tr>
<td>2.1.6</td>
<td>The role of communication in stakeholder engagement and CSR strategy-making</td>
<td>16</td>
</tr>
<tr>
<td>2.1.7</td>
<td>Summary of Stakeholder Theories</td>
<td>21</td>
</tr>
<tr>
<td>2.2</td>
<td>Corporate Social Responsibility</td>
<td>23</td>
</tr>
<tr>
<td>2.2.1</td>
<td>Understanding CSR</td>
<td>23</td>
</tr>
<tr>
<td>2.2.2</td>
<td>CSR and SMEs</td>
<td>26</td>
</tr>
<tr>
<td>2.2.3</td>
<td>CSR strategy-making in SMEs</td>
<td>30</td>
</tr>
<tr>
<td>2.3</td>
<td>Key takeaways from the Theoretical Background</td>
<td>31</td>
</tr>
<tr>
<td>2.3.1</td>
<td>Corporate Social Responsibility</td>
<td>31</td>
</tr>
<tr>
<td>2.3.2</td>
<td>SMEs &amp; CSR</td>
<td>31</td>
</tr>
<tr>
<td>2.3.3</td>
<td>Employees in SMEs</td>
<td>32</td>
</tr>
<tr>
<td>2.3.4</td>
<td>Stakeholder engagement</td>
<td>32</td>
</tr>
<tr>
<td>2.3.5</td>
<td>Preliminary framework</td>
<td>33</td>
</tr>
<tr>
<td>3.</td>
<td>Scientific Methodology</td>
<td>35</td>
</tr>
<tr>
<td>3.1</td>
<td>Pre-understandings and Axiology</td>
<td>35</td>
</tr>
<tr>
<td>3.2</td>
<td>Research Philosophy</td>
<td>36</td>
</tr>
<tr>
<td>3.2.1</td>
<td>Epistemological assumption</td>
<td>36</td>
</tr>
<tr>
<td>3.2.2</td>
<td>Ontological assumption</td>
<td>37</td>
</tr>
<tr>
<td>3.3</td>
<td>Research Approach</td>
<td>37</td>
</tr>
<tr>
<td>3.4</td>
<td>Research Design</td>
<td>38</td>
</tr>
<tr>
<td>3.4.1</td>
<td>Research Purpose</td>
<td>38</td>
</tr>
<tr>
<td>3.4.2</td>
<td>Research Strategy</td>
<td>39</td>
</tr>
<tr>
<td>3.5</td>
<td>Literature Review</td>
<td>40</td>
</tr>
<tr>
<td>4.</td>
<td>Practical Method</td>
<td>41</td>
</tr>
<tr>
<td>4.1</td>
<td>Qualitative Data Collection</td>
<td>41</td>
</tr>
<tr>
<td>4.1.1</td>
<td>Interview Structure</td>
<td>41</td>
</tr>
<tr>
<td>4.1.2</td>
<td>Interview Guide</td>
<td>42</td>
</tr>
</tbody>
</table>
4.1.3. Sampling Method......................................................................................... 43  
4.1.4. Pilot Study ................................................................................................. 44  
4.1.5. Sample overview ........................................................................................ 45  
4.2. Qualitative Data Analysis ............................................................................ 47  
4.2.1. Preparing Qualitative Data ......................................................................... 47  
4.2.2. Analytical Procedure ................................................................................. 47  
4.3. Ethical Considerations .................................................................................... 48  
4.4. Truth Criteria ................................................................................................. 49  
5. Empirical Findings ............................................................................................ 52  
5.1. Understanding of Corporate Social Responsibility ......................................... 52  
5.2. The importance and motivation of being socially responsible ......................... 54  
5.3. The reality of CSR in SMEs ........................................................................... 56  
5.4. Limitations and opportunities for CSR in SMEs ............................................ 57  
5.5. CSR Communication .................................................................................... 59  
5.6. Identifying stakeholders ................................................................................ 61  
5.7. Managing stakeholders ................................................................................ 62  
5.8. Stakeholder Engagement in the CSR decision-making .................................... 63  
5.9. Employee engagement in CSR strategy-making: The reality among SMEs ... 65  
6. Analysis and Discussion ................................................................................... 69  
6.1. CSR for SMEs .............................................................................................. 69  
6.2. CSR drivers .................................................................................................. 71  
6.3. Informal strategy-making .............................................................................. 72  
6.4. Informal CSR communication ..................................................................... 73  
6.5. Stakeholder Mapping .................................................................................... 74  
6.6. Stakeholder Management .......................................................................... 76  
6.7. Employee Engagement in CSR strategy-making ........................................... 78  
7. Conclusions ....................................................................................................... 85  
7.1. General conclusions ..................................................................................... 85  
7.1.1. Characteristics of CSR in SMEs............................................................... 87  
7.1.2. Characteristics of employee engagement in CSR strategy-making among  
      SMEs ............................................................................................................... 88  
7.2. Study Contributions ..................................................................................... 88  
7.2.1. Theoretical Contributions ....................................................................... 88  
7.2.2. Managerial contributions ....................................................................... 89  
7.2.3. Societal contributions ............................................................................. 90  
7.3. Study Limitations & Future Research ........................................................... 90  
8. References ......................................................................................................... 93  
   Appendix 1 – Email to participating companies .................................................. 101  
   Appendix 2 - Interview guide ............................................................................ 102  
   Appendix 3 – Expert Interview guide ................................................................. 104  
   Appendix 4 – Overview SMEs ......................................................................... 105
List of figures

Figure 1: The Role of Strategic Conversations with Stakeholders.................................................. 17
Figure 2: Varying degrees of Stakeholder Engagement in CSR strategy-making......................... 20
Figure 3: The Pyramid of Corporate Social Responsibility ............................................................... 25
Figure 4: Stakeholder Engagement with CSR strategy-making ....................................................... 34
Figure 5: Phase 1 of the Gradual Path of Stakeholder Engagement revised.................................. 75
Figure 6: Phase 2 of the Gradual Path of Stakeholder Engagement revised.................................. 77
Figure 7: Phase 3 of the Gradual Path of Stakeholder Engagement revised.................................. 82
Figure 8: Employee Engagement with CSR strategy-making in SMEs – Revised framework .................. 84

List of tables

Table 1: Stakeholders’ salience classification among SMEs ........................................................... 13
Table 2: Two Models of Stakeholder Engagement – The Control Model and The Collaboration Model ................................................................................................................................. 17
Table 3: The steps of Strategic Conversations .................................................................................. 18
Table 4: Gradual path of Stakeholder Engagement process ............................................................ 22
Table 5: Corporate vs Small business CSR ....................................................................................... 29
Table 6: Sample Overview .................................................................................................................. 45
Table 7: CSR drivers ............................................................................................................................ 72
Table 8: Respondent’s grouping of Control & Collaboration model .................................................. 80
Table 9: Respondents’ employment of strategic conversations ......................................................... 81
Table 10: Respondent’s communication strategies grouping ............................................................. 82
1. Introduction

In this chapter, we introduce the problem background that supports the chosen topic, followed by the research gaps we have identified in the literature. Thereafter, we describe the purpose of this study and introduce the research question. Lastly, we present the expected theoretical, managerial and societal contributions and acknowledge the existing delimitations of the study.

1.1. Problem background

An idea that has existed for quite some time is that companies bear not only the responsibility over their shareholders (through creating wealth), but also the responsibilities over society and the environment. As early as the 19th century, companies already had, albeit not so developed, a notion about their social impact on society. Some, for example, constructed houses for their employees, in the belief that this would significantly increase their productivity (The Economist, 2009). Not surprisingly, the awareness of such responsibilities has exponentially grown in the past couple of decades. There is a wide understanding and evidence that ecological degradation is caused by human activities and driven by industrialization (Steffen et al., 2015, p. 1259855/1). Our resources are quickly running out, and every year we are using more than the earth has to offer. In fact, the day in which we have used more resources than our earth can provide, was already on the 2nd of August in 2017 (Earth overshoot day, 2018). Steadily, the blame has fallen on businesses, as firms are now seen as the major cause for problems to society and environment at large (Porter & Kramer, 2011, p. 4).

In an era of intense globalization, where companies have grown stronger and with higher capital, it is not surprising that firms are expected to minimize the damage to the environment and society they create. Within this context, corporate social responsibility (CSR) reveals to be a sensitive topic for organizations, as CSR has “drastically transformed corporate entities in the way they conduct their business practices and function in the social environment where they operate” (Okpara & Idowu, 2013, p. xv). Firms are now recognising the reputational risks and opportunities connected with this shift (Dawkins, 2005, p. 108). Hence, the concerns about correcting and/or minimizing social, environmental and economic impact that businesses have on our planet is keeping organizations’ management alert, as these issues can no longer be ignored if firms want to achieve long-term competitiveness (Casey & Sieber, 2016). Apart from business’ executives, the academia, non-governmental organizations and other stakeholders also pinpoint the necessity of integrating “sustainability into corporate strategy to both create competitive advantages and mitigate sustainability problems” (Egels-Zandén, 2016, p. 46).

Since its introduction in the 50’s, much has been discussed about CSR and the growing commitment companies place in addressing these issues, especially those responsibilities that large and global organizations carry. Few studies, however, have covered the effects and implications this phenomenon plays in small and medium sized enterprises (SMEs). Understanding CSR within the context of SMEs is important because these firms represent over 90 percent of businesses worldwide and account for 50 to 60 percent of employment (Jenkins, 2004, p. 37). Only in Sweden, for example, SMEs account for over 60% of value added and employment (Fact Sheet SBA, European Commission, 2016, p.
2). Already in the 90’s, Thompson & Smith (1991) recognized that CSR in smaller firms was a promising subject to study and acknowledged the importance of understanding SMEs’ behaviours towards social responsibility. Ever since, despite the flourishing interest with CSR in smaller companies, scholars still argue that more investigation around this perspective is needed (Jenkins, 2004; Spence, 2007; Davies & Crane, 2010).

Among SMEs, CSR is argued to be substantially different than those social and responsible matters applicable to larger firms (Spence, 2007). Spence (2007, p. 546) even argues that this phenomenon should be referred to as “small business social responsibility” instead of CSR. Lee et al. (2016, p. 89) complements this perspective by pointing to the enormous variation of CSR depending on the context, place or national business system, adding thus an important characteristic of the complexity of CSR within diverse firms settings. To aggravate, small businesses are assumed to perform worse in terms of business ethics, if compared to larger, global organizations (Jenkins, 2006, cited in Sen & Cowley, 2013, p. 418). The reasons for poor performance in regards of CSR may vary from lack of formalized strategies and few resources, to weak CSR culture and poor recognition of the issues concerned with social responsibility (Lepoutre & Heene, 2006, p. 268). At the same time, SMEs are said to be in a more favourable position to engage in CSR due to their relatively simple, flatter structure (Russo & Perrini, 2010, p. 214), informal relationships, higher flexibility and easier adaptiveness to the environment due to their size (Jenkins, 2004, p. 44; Jenkins, 2009, p. 23). Therefore, with such ambiguous capabilities and due to distinct organisational characteristics, authors such as Jenkins (2004, p. 51) claim that CSR theory within smaller companies needs a singular approach.

An important aspect of CSR is that responsibility issues can be addressed in many forms within firms (Borglund et al. 2017, p. 67). Moreover, responsibility matters are not static, but rather in a constant state of revision (Borglund et al. 2017, p. 67). Thus, the expectations on which responsibilities are focused on change as well, through the continuous interaction between organizations and stakeholders. This constant change is mainly due to fact that several constituents of the firms have distinct views on what corporate social responsibility is or should be (Borglund et al. 2017, p. 67).

Stakeholders contribute by “shaping the idea of what is included in a company’s social and environmental responsibility” (Borglund et al. 2017, p. 73) and they play an important role in guiding business’ social responsible initiatives. However, stakeholders are not uniform, and they do not carry the same values and interests. In fact, they hold distinct set of attributes and different degrees of influences which grants them the capability of affecting organization’s objectives, purpose and survival in both positive or negative ways (Wasielewski et al., 2017, p. 24). This implies that companies should identify the stakeholders’ importance for the firm, to better manage them and address the most appropriate objectives based on stakeholders’ views about what constitutes the firms’ responsibility towards society (Borglund et al. 2017, p. 73).

Nowadays, the notion about the plurality of stakeholders’ perspectives and the importance to acknowledge them in corporate decisions for sustainable and long-term competitive performance has risen in managerial importance. Maintaining strong and positive stakeholder relationships has thus become one of the central topics for management (Andriof et al., 2002, p. 23). For effective corporate social responsibility, this is no
exception. Therefore, it is not surprising that some authors see CSR simply as a way of managing stakeholders (Trapp, 2014, p. 43).

It might seem obvious that managing stakeholders’ views and wishes is an important activity for nurturing a positive stakeholder relationship. Nevertheless, to be able to effectively manage business relationships, organizations must also excel in engaging with a range of stakeholders (O’Riordan & Fairbrass, 2014, p. 133) and always be ready to re-evaluate and redirect their path towards responsibility based on stakeholders’ interactions (Borglund et al. 2017, p. 73). Over two decades ago, scholars such as Elkington (1999, p. 311) and Andriof et al. (2002) already recognized a significant behavioural shift in companies. They claimed that organizations would (and should) lean towards a more inclusive governance practice. Ever since, this transformation has proven to hold true within the business context, as this is now reflected on the growing inclusion of stakeholders into the decisions of corporate actions for better, more transparent and responsible managerial practice. Companies are realizing that if they actively work and engage with stakeholders when shaping their CSR focus, they are likely to be most competitive in the future (Borglund et al. 2017, p. 340). Thus, those organizations that allow stakeholder engagement in the strategy-making process can benefit from a corporate strategy that is more aligned with stakeholder requirements, expectations and wishes (Trapp, 2014, p. 45) This alignment can lead to greater success and increased performance on the long-run as well as avoidance of pitfalls in reputation.

Departing from a decision-making perspective and stakeholder participation fostered by top management, Miles et al. (2006, p. 195-205) explored stakeholder engagement in the CSR strategy-making, where they highlighted the role of strategic conversations in CSR strategy formation for better decision-making. The authors state the importance of an open dialogue between firms and stakeholders for formulation of strategies that are better aligned with stakeholder expectations, as well as to promote organizational learning. We align our understanding with Miles et al. (2006, p. 195) when they pose that stakeholder engagement with CSR strategy-making can be a valuable source of knowledge for firms, as it can enhance organizational CSR strategy-making and diminish future stakeholder concerns.

Following this line of thought, recent research (Trapp, 2014) has also focused on the involvement of stakeholders in CSR strategy-making as a positive change in business’ actions towards a more inclusive governance. Interestingly, Trapp’s findings reveal that most CSR managers tend to adopt a posture of purely listening to stakeholders rather than seeking alignment and involvement with them. This brings an alarming indication that more is needed for real stakeholder engagement in the decision-making in business practices. The author acknowledged that further investigations about the real implications of stakeholder engagement and strategy formation are necessary for a better understanding of real business’ behaviours.

While Trapp’s (2014) work has brought the vital aspect of stakeholder engagement with CSR strategy-making, one can argue that the author approached this phenomenon on a general level in regards to stakeholders. Nevertheless, to our knowledge, stakeholder engagement with CSR strategy-making has not been explored within one or few specific stakeholder groups as, for example, employees. Employees are undoubtedly important stakeholders of any firms, but they are particular relevant for smaller firms (Greenwood, 2007, p. 316; Spence et al., 2003, p. 26; Slack et al., 2015, p. 538). They possess high
power, due to their utilitarian resource-exchange and dependence-based relationships with the firm, and high legitimacy (Laplume et al., 2008, p. 1163; Sen & Cowley, 2013, p. 415). In addition, they are resource holders and capable of guiding firms’ socially responsible agenda (Alt et al., 2015, p. 177). From a strategic viewpoint, powerful stakeholders usually warrant more attention from management (Borglund et al. 2017, p. 22). Among smaller firms, the employee-firm relationship is characterized by less formalities and organizations are more dependent on the success of these relationships to perform. In comparison with other stakeholder groups, employees tend to have a more informed perspective about the firm’s capabilities and are more likely to identify opportunities that firms can explore (Miles et al., 2006, p. 197). This particular stakeholder group is usually more aware “of the value drivers for their specific target markets and the concerns of relevant stakeholders” (Miles et al. 2006, p. 197) and the value that they can bring to the CSR decision-making process should therefore not be underestimated. Hence, due to these characteristics, it could be understood that employees are (and should be) granted higher importance among SMEs’ managers, especially towards CSR-related issues and general decision-making.

Given the importance of employees for smaller firms, the necessity of understanding CSR for SMEs and due to the argued benefits of stakeholder engagement in CSR strategy-making, we believe that it would be highly relevant to group these topics together to perform a research study, as we see that the knowledge on such subjects can be improved. We acknowledge the need of firms viewing employee engagement on the formation of strategic goals towards social responsible issues as an important managerial activity for SMEs nowadays.

1.2. Research Gaps

Gap 1
As noted before, the vast majority of corporate social responsibility literature has covered the phenomenon on large organizations, whereas CSR understanding in SMEs is in its infancy. The need to bridge this research gap has been acknowledged by many authors (Fitjar, 2011; Jenkins, 2004; Jenkins, 2006; Spence, 2007;) and researchers like Jenkins (2004), Lepoutre & Heene (2006) and Spence (2007) claim for a different approach to understand CSR applications in SMEs context. Based on the nature of SMEs, Macgregor & Fontrodona (2011, p. 82) argue that these companies have more difficulties in formulating formal strategies for growth, bringing up the question whether implementing CSR is even possible in their environment. The need to bridge the gap between CSR and SMEs made us wander what the reality is in these firms in a Swedish context. We find it relevant to explore CSR within SMEs, as we pose the understanding of how SMEs prompt organizational and strategic CSR as an important activity due to SMEs’ impact on the Swedish economy, communities and environment in which they operate.

Gap 2
While Trapp’s work (2014) has approached the involvement of stakeholders in general with CSR strategy-making, less studies have covered the phenomenon focused on few or specific stakeholder groups alone. Within this context, we identified a research gap in the literature when it comes to the engagement of one particular stakeholder group in the CSR strategy-making, the employees. We believe it is more relevant to explore employee engagement in CSR strategy-making among SMEs, since it is argued that employees are highly relevant stakeholder groups in small firms (Slack et al., 2015, p. 538) and there is
a higher level of employee involvement among SMEs due to the simpler organizational structures that these firms have (Russo & Perrini, 2010, p. 214).

These characteristics led us wander if employee engagement with CSR strategy-making is a reality in these firms, and if yes, how is it performed? We find our research to be important to address CSR strategy-making in practice in SMEs as well as to gain deeper insights into how stakeholder engagement focused on employees takes place in a Swedish context.

1.3. Research Purpose & Research Question

Research Purpose
According to Behnam and Rasche (2009, p. 86) ethical questions and strategic activities overlap, or “ethical reflection provides a frame of reference which is an integrative part of strategy-related decision processes”. Strategic objectives of a firm are argued to be achieved by an assessment of which stakeholder groups will most likely be able to influence the organization in some way (Crane & Matten, 2010, p. 202). In addition, O’Riordan and Fairbrass (2014, p. 124) acknowledge the trend to take an “Ethical Strategist view” in the sense that there is an increasing demand of incorporating an open, honest and respectful engagement of stakeholders in a firm’s’ strategy. Considering ethical questions are important for, and fundamentally part of, strategy making, we find it important to explore how SMEs in Sweden engage primary stakeholders – hereafter employees - in the CSR strategy-making process.

Based on the recommendations of future research of CSR in a context of SMEs presented by Jenkins (2004) and Spence (2007, p. 549) and building upon the studies covering stakeholder engagement from both Trapp (2014) and Miles et al., (2014) with a different perspective, the overall purpose of this study is to understand the perceptions of Swedish SMEs’ managers on how their employees are engaged in the CSR strategy-making.

There are several motives that support our choice and field of research:

1) There is a need to further explore CSR in the context of SMEs (Fitjar, 2011; Jenkins, 2004; Jenkins, 2006; Spence, 2007), as SMEs are assumed to perform poorly in terms of responsible matters if compared to larger organizations (Jenkins, 2006, cited in Sen & Cowley, 2013, p. 418);
2) Understanding SMEs issues in regards to business ethics and social responsibility is an important aspect for the corporate sector (Spence, 2007, p. 534)
3) There is a higher degree of involvement with employees within smaller organisations (Russo & Perrini, 2010, p. 214), given that SMEs are argued to have closer, more informal relationships with its stakeholders (Jenkins, 2004, p. 44);
4) Individuals’ concerns, together with employee commitment to particular social issues and their concern with integrity may influence corporate actions (Spence, 2007, p. 548), and employees can also guide social responsibility of a firm (Spence, 2007, p. 548);
5) Employees are seen as valuable stakeholders in the context of SMEs (Sen & Cowley, 2013, p. 416; Slack et al., 2015, p. 538); and they are considered as highly salient stakeholders, due to the power they have over firms’ resources (labour) and legitimacy claims and behaviours towards the firm (Sen & Cowley, 2013, p. 415).
6) Powerful stakeholders usually warrant more attention from management from a strategic perspective (Borglund et al. 2017, p. 22).
7) A vital part of a firm’s strategy includes the respectful, honest and open engagement of businesses’ stakeholders (O’Riordan & Fairbrass, 2014, p. 124);
8) Stakeholder engagement in the CSR strategy-making process has been posed as important in managerial practice nowadays, as it enhances the decision-making, diminish future stakeholder concerns (Miles et al., 2006, p. 195), maximize knowledge sharing, foster opportunity mapping, and can ultimately make CSR initiatives more credible and transparent to broader stakeholder groups. Thus, companies that actively engage stakeholders in CSR efforts and afford their influence in the strategy-making process can benefit from a more aligned corporate strategy with stakeholder requirements, expectations and wishes (Trapp, 2014, p. 45).

By exploring how CSR strategies are formed in SMEs and evaluating the engagement of employees in this process, we hope to gain a deeper knowledge of SMEs’ behaviours towards social responsibility issues in practice and understand if stakeholder engagement focused on employees plays a role in these firms. Since we agree that responsible business behaviour is as a “holistic, stakeholder-oriented approach”, such orientation should be applied for all companies, regardless of size and sector (Russo & Perrini, 2010, p. 215).

**Research Question**

Given our review in the literature and the identified research gaps to develop this research study, we have formulated one research question in order to address the presented research problem and overall purpose of this research:

*How do Swedish SMEs engage employees in the CSR strategy-making from a management perspective?*

In order to answer our research question, we needed to cover several theories and topics in this study: CSR, CSR strategy-making in SMEs, employees as a stakeholder group and stakeholder theory, more precisely stakeholder engagement. One could argue that the research question could have been divided into sub questions, which could allow us to answer each of them in a more focused way. Nevertheless, we have kept to one research question, since our work has adopted an exploratory nature, which could provide a holistic overview about the phenomenon. We believe that by developing one question which encompasses several elements would serve as a starting point to further investigate each of the elements pertaining to the question. This, in turn, goes in accordance to the principle that exploratory studies are used to make preliminary investigations.

**1.4. Expected Contributions & Study delimitations**

**1.4.1. Expected Theoretical contributions**

This study has several expected contributions. First and foremost, we aim to contribute to the growing theoretical body of CSR applied to the context of small and medium sized enterprises (SMEs), an understanding that still needs development.

Secondly, our expected theoretical contribution is related to stakeholder theory, more precisely the descriptive and the normative domains of this theory. From the descriptive stream, we believe that by identifying the relationships between firms and its stakeholders
can enable us to describe how these companies operate, as well as assess the possible strengths and weaknesses of these firms in terms of both CSR and stakeholder engagement in the decision-making. From the normative side of stakeholder theory, we expect to gain knowledge on firms’ management understanding about CSR and how they behave towards CSR in practice. These are closely related to the expected norms and ethics business have (or at least should have). Their interpretations can potentially bring the reflection upon the norms and ethical logic behind firms’ actions, which could help smaller firms to reflect upon their roles and values, pertinent issues towards society in general.

Also within stakeholder theories, we approach the topic of stakeholder engagement from a different and narrowed perspective. Our focus on one stakeholder group - employees - can unveil deeper qualitative insights into how they are involved in the formulation of CSR strategies in SMEs and their roles in guiding socially responsible firms. We believe our research is found to be highly relevant to the field of business administration, given that our study can provide insights into the organizational perspectives around both topics – CSR and stakeholder engagement -, often viewed as valuable sources of value creation and growing in importance within management and ethics.

1.4.2. Expected Managerial contributions
By exploring SMEs’ disposition and means to involve/engage employees in the formulation of corporate social responsibility strategies, we believe our study can potentially raise the awareness of managers and practitioners in the SMEs context to: (1) devote more time to address CSR issues; and (2) to further engage its employees in the strategy-making process of CSR. In gaining a knowledge of what constitutes stakeholder engagement practices, we hope to promote a reflection for SMEs to excel their managerial expertise in these aspects. We do not see successful and credible CSR strategies without effective stakeholder engagement, which makes these two terms highly interdependent for firms to achieve its goals. Not only involving employees in the CSR strategy-making can improve their commitment to work, but also enhance firms’ capabilities of knowledge integration and knowledge sharing to the decision-making, which can ultimately lead to better performance and greater reputation of SMEs.

1.4.3. Expected Societal contributions
As we mentioned before, we believe our work can contribute to the societal good by potentially encouraging SMEs to better integrate its primary stakeholders (employees) in the formation of CSR strategies. As expected, organizations’ efforts are to make an ethical and responsible guided influence on society and environments’ well-being for years to come and we hope we can increase the awareness about their roles in a sustainable future. In addition, greater employee engagement with CSR decision-making can improve employees-firms’ relationships and possibly increase the success rate of implementing CSR initiatives. These, in turn, can positively influence the local community where SMEs operate.

1.4.4. Study delimitations
We believe it is important for us to delineate our study delimitations in order to avoid possible misunderstandings. Our study has three main delimitations. The first one is concerned with the decision of choosing employees as a focus stakeholder group related to stakeholder engagement in the CSR strategy-making in this research. By all means, we
do not imply in this study that employees alone as a stakeholder group should be given full attention and commitment of companies’ managers when developing CSR strategies. We understand that stakeholder relationships are a complex and dynamic phenomenon and we are aware of the fact that several other stakeholders’ groups (i.e. customers, suppliers, governments, etc.) are important for firms’ performance, given their varying attributes, levels of influence and knowledge capable of influencing both positively and negatively firms. Thus, regardless of their stakeholder identification, either primary or secondary, they should also be taken into consideration when firms form strategies aiming to address socially responsible issues. From a stakeholder theory overview provided by Donaldson and Preston (1995, p. 67), there is one argument that specially applies to the decision of studying only one group of stakeholders and their engagement in CSR decision-making: Stakeholder theory “does not imply that all stakeholders (however they may be identified) should be equally involved in all processes and decisions”. From this context, firms must assess who are the most important stakeholder group and seek to involve them in the decision-making to benefit from positive outcomes. Our understanding is that employees are highly important among SMEs and they should be involved in the decision-making process. Strategic matters should therefore go in line with both their expectations and the firms’ objectives to increase value and performance. Based on our knowledge of stakeholder theory as being a managerial theory and the often difficulties of firms to address all stakeholders’ expectations in the decision-making, we aim to explore just one “piece of the puzzle” of the complex field of stakeholder management and engagement. Applied to the SMEs context and with a focused approach to employees, this study can potentially highlight the necessity of processes and actions that can improve and/or foster the engagement with employees towards a more transparent, effective, collaborative and responsible decision-making.

Another delimitation of our study is concerned with the size of companies. For the present study, we will base our work with SMEs that have over than 10 employees. Naturally, companies with less than 10 employees do not fall under the category of SMEs, but rather the one of micro firms, as they also have an annual turnover statement bellow €2 million (EU Law and Publications, 2003). We eliminate the smaller companies under the assumption that they would be to dissimilar from the small and medium sized firms.

Further, a third delimitation is concerned with the industry of smaller firms. We do not limit our study scope to a particular industry or sector, for instance, B2B or B2C companies, given that we can potentially draw similarities as well as differences in terms of employee engagement in the CSR strategy-making in different contexts.
2. Theoretical Framework

In this chapter, we will present the theories selected to explore the chosen topic of research. This chapter is structured according to the research question, starting with stakeholder theory, followed by employees’ characteristics, stakeholder management and stakeholder engagement. We continue with the introduction of CSR and how this concept is applied to SMEs. The chapter ends with a summary of key points from the theoretical background which will guide our data collection in the empirical part of the study.

2.1. Understanding Stakeholders

2.1.1. Stakeholder Theory

Stakeholder theory has become a core concept in management theory (Andriof et al., 2003, p. 104). It approaches the firms’ need to acknowledge various groups to which the organization has a responsibility (Crane & Matten, 2010, p. 61). More specifically, Freeman’s work (1984), considered the “father of stakeholder theory” (Laplume et al., 2008, p. 1152), initially aimed to offer an approach to strategy that demanded the awareness of stakeholders’ values to achieve superior performance (Laplume et al., 2008, p. 1153). In this sense, all constituencies of firms should be taken into account in the decision-making. However, it is rarely the case that all stakeholders might express the same needs and expectations and even less chances that their often competing, conflicting needs and interests are going to be given equal importance in the firms’ decisions. This imbalance poses real challenges for companies when evaluating stakeholders claims and brings the importance of addressing the trade-offs firms have to consider in the evaluation of business’ actions (Andriof et al., 2002, p. 73).

According to Miles (2017, p. 27), due to the diverse nature of stakeholder theories, the concept has received several categorizations. Donaldson and Preston (1995, p. 66) stated that stakeholder theory is built on three pillars: descriptive/empirical, instrumental and normative. By the descriptive perspective, the authors pose that stakeholder theory serves to describe the characteristics and behaviours of companies, or, in other words, describe the nature and operations of companies (Kaler, 2003 p. 72). The descriptive nature of stakeholder theory is essentially concerned with how firms behave and reveals the “reality of business thinking, business practice or, even more fundamentally, the nature of business itself” (Kaler, 2003, p. 73). Instrumental stakeholder theory approaches how firms’ behaviour affects performance. The instrumental perspective “establishes a framework for examining the connections, if any, between the practice of stakeholder management and the achievement of various corporate performance goals”, so it uses stakeholder theory to make the link between stakeholder approaches and objectives, i.e. profitability (Donaldson & Preston, 1995, p. 67; 72). The instrumental perspective is said to be divided into two positions: narrow and broad (Egels-Zandén, & Sandberg, 2010, p. 40). While the narrow hypothesis of instrumental stakeholder theory is focused on the firms’ capabilities to maximize profits through stakeholder management, the broad stream of stakeholder theory explores the ways that firms can relate to its stakeholders to maximize profit (Egels-Zandén, & Sandberg, 2010, p. 41). Egels-Zandén and Sandberg (2010, p. 41) criticize Donaldson and Preston (1995) around their definition of instrumental stakeholder theory, by challenging the assumption of whether instrumental stakeholder theory should be considered stakeholder theory at all since, in broad instrumental stakeholder theory, the focus lies solely on shareholders’ interests. As the critic is built towards the fact that “no intrinsic value is accorded to all stakeholders’
interests, as postulated by normative stakeholder theory”, Egels-Zandén and Sandberg (2010, p. 41) imply that the instrumental stakeholder theory is rather suitable with shareholder theory. Finally, the normative perspective of the stakeholder theory is concerned with the interpretation about the corporations’ functions: the identification of moral or philosophical guidelines for firms’ operations and management (Donaldson & Preston, 1995, p. 71). The normative pillar of stakeholder theory, considered as the core of the theory, brings an ethical rationale to firms, as argued by Wasieleski et al., (2017), “it is indisputable that stakeholder theory is centred on morals and values”.

In their work, Donaldson and Preston (1995, p. 67) also highlight the managerial aspect of stakeholder theory, which introduces the line of thought that this theory is not only limited to describing the situations or relationships of firms, but it also offers a recommendation of attitudes, desired structures, and practices that, altogether, constitute the basis of stakeholder management. One of the key attributes of stakeholder management is the requirement of the “simultaneous attention to the legitimate interests of all appropriate stakeholders, both in the establishment of organizational structures and general policies and in case-by-case decision making” (Donaldson & Preston, 1995, p. 67). This means that not only managers are connoted as those who possess total corporate control and governance, but rather invites the reflection that important constituents of a firm also play a role in the decision-making.

Stakeholder theory, as argued by Laplume et al., (2008, p. 1153), is important given its aim “to address the often overlooked sociological question of how organizations affect society”. In addition, stakeholder theory is one of the most used frameworks for “conceptualizing and understanding issues concerning corporate ethical responsibilities” (Egels-Zandén, & Sandberg, 2010, p. 35). Therefore, we find introducing this theory highly relevant in the present work. Our contribution in this research study can be argued to be related to both the descriptive and normative domains of stakeholder theory, since we agree with Egels-Zandén and Sandberg’s logic about instrumental stakeholder theory being more associated with shareholder theory rather than business focusing on stakeholders’ expectations and needs.

2.1.2. Stakeholder Identification & Attributes
Before we consider the characteristics of stakeholders’ relationships, we must first identify what is understood by stakeholders. According to Freeman (1984, p. vi), stakeholders are identified by “any group or individual who can affect or is affected by the achievement of an organization purpose”. In practice, stakeholders include employees, customers, suppliers, financiers (stockholders and banks), environmentalists and governments (Freeman, 1984, p. vi). Stakeholders are thus those that “have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future” (Clarkson, 1995, p. 106). As the proper term suggests, stakeholder implies that these groups have a stake in the company (Freeman, 1984, p. 45). This aspect also includes risk: whoever has most at stake in a context bears the largest risk (Borglund et al., 2017, p. 23). Based on this premise, stakeholders are both risk bearers and elements of corporate strategic planning by demonstrating the urgency, or, in other words, their importance for both the mission and purpose of a firm (Lepoutre & Heene, 2006, p. 324). Following Freeman (1984), stakeholders should therefore be taken into consideration in firms’ decision-making.
According to Clarkson (1995, p. 105), stakeholders can be divided into two groups: primary and secondary stakeholders. Primary stakeholders are those who have a direct influence and/or interest in the company. They can be employees, customers, suppliers and investors (Clarkson 1995, p. 105). Without this particular group or individual, firms are not able to survive. Secondary stakeholders, on the other hand, have lesser influence on and/or interest in the company. Examples of secondary stakeholders are media, other groups of interest and the general public. Although these groups are not vital for corporations’ survival, given that they are not engaged in transactions (Clarkson 1995, p. 107), they are still relevant for companies and must be given importance, because they can significantly impact a corporation.

While taking a closer look at the definition of stakeholders by Freeman (1984, p. 46) the author, emphasizes the term affect by saying “who can affect or is affected by […]”. In other words, he stressed the stakeholders’ ability to influence/impact the firm. Due to the importance of this aspect, the question of who, how and what managers should pay attention to when identifying those groups and selecting those that should be given consideration led Mitchell et al. (1997) to propose a theoretical model where concepts of power, legitimacy and urgency are underlined. This descriptive theory of stakeholder salience adds to the stakeholder theory highlighting the interconnected attributes needed for establishing stakeholder status for management practices and relations (Magness, 2008, p. 177). By power, Mitchell et al. (1997, p. 854) underlines the stakeholder's power to influence the firm, or the ability to control resources. Power can thus be viewed as utilitarian resource-exchange and dependence-based relationships (Driscoll & Starik, 2004, p. 57). Power is not a static attribute, as it can be gained or lost at any given point (Mitchell et al., 1997, p. 868). Legitimacy is concerned with the extent of legitimacy of the stakeholder's relationship with the firm, or, in other words, the “socially accepted and expected behaviors” (Mitchell et al., 1997, p. 866). And, finally, urgency comprises how urgent is the stakeholder's claim on the firm, when these claims are critical and time sensitive, and “there is a pressing call for attention” (Magness, 2008, p. 179; Mitchell et al., 2017, p. 127)

This dynamic model by Mitchell et al. (1997) emphasizes that the attributes are not fixed in time, which means that individuals or groups only carry one or two attributes at a time (Magness, 2008, p. 179). Urgency alone, for example, reveals to be insufficient to guarantee high salience in the stakeholder-manager relationship, but if combined with at least one of the other attributes, urgency can ultimately cause to increase stakeholder salience (Mitchell et al., 1997, p. 870). Following, power, is undoubtedly a crucial variable in the theory of stakeholder-manager relations, but can not by itself determine the salience of a stakeholder, as other stakeholders that do not possess power also matter for firms and managers (Mitchell et al., 1997 p. 836). Power and legitimacy together, on the other hand, determine stakeholder influence (Laplume et al., 2008, p. 1163) and the latter is known to “produce stakeholder support and create environmental stability” (Suchman, 1995, cited in Laplume et al., 2008, p. 1177). One of the important take offs from Mitchell et al., (1997) work is that stakeholder attributes are variable, transitory and highly subjective, and stakeholders might not be fully aware of their attributes’ possession.
2.1.3. Stakeholder influence
Building upon stakeholders’ attributes, we follow the understanding that stakeholders may affect organization’s objectives, purpose, survival or failure in both positive or negative ways (Wasieleski et al., 2017, p. 24). By positive influence or impact, stakeholders can create and/or assist on the value creation and wealth progress through investing resources and cooperation (Wasieleski et al., 2017, p. 24). Alternatively, stakeholders might also negatively impact an organization by damaging, harming or through imposing a critical eye to the company (Wasieleski et al., 2017, p. 24).

When discussing stakeholders and their influence towards firms, we introduce Froomans’ (1999) thinking, in which he describes different strategies stakeholders can use to influence firms. These strategies are based on the firms’ need for resources, which are basically the means by how stakeholders can gain control over the firm (Frooman, 1999, p. 198). Withholding and usage strategies are the main, direct strategies stakeholders might engage. The first comprises stakeholders withholding resources from the firm, whereas the usage strategy is meant to supply resources with strings-attached (Frooman, 1999, p. 198). Both strategies aim to change firm’s behaviours. Indirectly, stakeholders can also use the so called “influence pathway”, adopting withholding or usage strategy that can be performed by an “ally of the stakeholder with whom the focal firm has a dependence relationship” (Frooman, 1999, p. 198). In this sense, stakeholders are also aiming to change firms’ behaviours but through the support of other, potentially more influential stakeholder group.

When exploring the relationships and engagement between employees and SMEs firms, we believe that these influence strategies deserve consideration. Albeit important, Frooman’s (1999) stakeholder influence theory is arguably insufficient to explain how firms can engage with its stakeholders (Andriof et al., 2002, p. 35), as more to engagement in business practice is necessary.

2.1.4. Employees - Important Primary Stakeholder Group
Employees are often acknowledged as key organisational stakeholder group of any firm (Slack et al., 2015, p. 538) but they are particularly important for smaller firms. In smaller enterprises, the influence of internal (primary) stakeholders is usually greater (Aragón et al., 2016, p. 366). Among SMEs, employees are highly relevant, because firms are more dependent on a network of interpersonal relationships (Spence et al., 2003, p. 26). Hence, SMEs’ performance will likely to be more dependent on the success of these relationships. Because employees “act in the name of the corporation” (Greenwood, 2007, p. 316), we believe they should be given an active voice in the strategic decision-making of corporate social responsibility issues, as we see that both aspects go in line.

Based on Mitchell et al. (1997) stakeholder salience model, Sen and Cowley (2013, p. 415) constructed a ranking table to exemplify stakeholders’ classification in the context of SMEs. Several stakeholders are characterized in order from the most salient groups on top to the lowest salient groups (on the bottom) (see Table 1 below):
Table 1: Stakeholders’ salience classification among SMEs

<table>
<thead>
<tr>
<th>Attribute possessed</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners</td>
<td>Power/legitimacy/urgency</td>
</tr>
<tr>
<td>Employees</td>
<td>Power/legitimacy</td>
</tr>
<tr>
<td>Customers</td>
<td>Power/legitimacy</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Power/legitimacy</td>
</tr>
<tr>
<td>Investors</td>
<td>Power/legitimacy</td>
</tr>
<tr>
<td>Family of owners</td>
<td>Legitimacy</td>
</tr>
<tr>
<td>Political groups</td>
<td>Legitimacy</td>
</tr>
<tr>
<td>Trade associations</td>
<td>Legitimacy</td>
</tr>
<tr>
<td>Community</td>
<td>Legitimacy</td>
</tr>
</tbody>
</table>


From a primary stakeholder perspective, as well as the corresponding attributes, we follow Sen and Cowley (2013, p. 415) and the arguments of Greenwood (2007, p. 316) where it is emphasized that employees are generally high salient stakeholders, as they possess high power, because they are resource holders over labour and interact with other stakeholders, and high legitimacy, because they are an entity that has a legitimate claim over the firm and behave in a legitimate way (Santana, 2012, p. 257). In addition, the typology of the resource relationship between smaller firms and employees is classified as highly interdependent due to fact that both employee and firm are dependent on each other (Spence et al., 2003, p. 26). Thus, employees exert significant influence on these type of firms and hold a particular role among stakeholders (Greenwood, 2007, p. 316).

In comparison to other stakeholders, which are obviously noted under ‘groups’ (like suppliers, partners, etc.), employees are seen as individuals, because they have individual personalities and portrait different needs among them. Several scholars point out the individual characteristic of the stakeholder group of employees (Harrison & Wicks, 2013, p. 113; Lankoski et al., 2018, p. 232; Mcvea & Freeman, 2005, p. 59). In the same line as customers, for example, employees possess individual characteristics, individual value judgements and personal utility functions. This constitutes to a higher complexity of this stakeholder group in comparison to other stakeholders. Consequently, firms should take in account these diverse properties and realise that each employee has a different utility function in order to understand this stakeholder group. As the previously mentioned authors recommend, firms are to recognize the individual value in order to increase the value created for these stakeholders.

Given employees’ characteristics and recognized importance in SMEs, we now turn our comprehension to how these individuals can play a role in terms of corporate social responsibility. We align our understanding with Slack et al. (2015) and Collier and Esteban (2007) where they stress that, for successful CSR strategies within SMEs, there is a dependency on the commitment and engagement of employees, given that they stand for ambassadors of firms. As “[it is] the employees who carry the main burden of responsibility for implementing ethical corporate behaviour”, the success of CSR activities is largely dependent on their willingness to collaborate (Collier & Esteban, 2007, p. 20, cited in Slack et al. 2015, p. 538). Although one can argue that Slack et al. (2015) focused on the employee engagement related to the aspect of implementation/deployment of CSR activities, we base our knowledge on their findings and take a step back in this process, because we see that engagement in the CSR strategy-
making can also be a factor to increase the engagement of employees with organisational CSR. Employees, argue Borglund et al. (2017, p. 124) are the “motive engines when a company is to create a true CSR commitment” and they are both “the object and the driving force behind responsibility”.

In line with scholars who acknowledge employee’s high salience among other stakeholder groups, Alt et al., (2015, p. 177) emphasize the employees’ “important role as potential environmental change agents”, highlighting in this case the relevance of employees’ influence within environmental considerations. Wolf (2013, p. 104) also found employee integration to sustainability issues as one of the important antecedents for firm performance. As Vo et al., (2015, p. 1976) identified, “norms and pressures from employees, peer firms, and the community can drive SMEs to actively engage routinely in socially responsible behaviors”. According to Borglund et al. (2017, p. 129), it is worth discussing what type of CSR a company should focus on with an employee perspective, as they are the focal point of interaction with other stakeholders. There is therefore the recognition that employees can represent a valuable source of inputs to social and responsible issues of firms, especially among SMEs.

2.1.5. Stakeholder Management & Engagement

When exploring how SMEs engage their employees in the CSR strategy-making, we touch upon two topics that reveal to be an important behaviour shift in the companies nowadays: corporate social responsibility and stakeholder engagement. What before was a posture characterized by purely reactive actions towards society’s pressures is now encouraging companies to adopt a proactive disposition of involving stakeholders when “doing good”. With this change, the recognition of relationships and its interdependences to perform in business context has become critical, particularly for socially responsible issues. This calls firms to include a more comprehensive understanding and management of the relationships they establish and nurture with their stakeholders and society in general, which are undoubtedly highly relevant for the engagement process (Andriof et al., 2002, p. 23).

Comprehensive stakeholder management is an absolutely critical aspect for the effectiveness and sustainability of any strategy, “since stakeholders contribute to the organization’s resource base, shape the structure of the industry in which the firm operates, and create the social/political arena in which the organization exists” (Post et al. 2002, cited in Miles et al., 2006). Savitz & Weber (2013, p. 190) go even further by stating that “the expanding importance of stakeholders is perhaps the single most important element in what we have called the Age of Sustainability”, arguing that most sustainable issues can be examined in terms of stakeholder relations. Interestingly, in the context of SMEs, Jenkins (2004, p. 44) poses that the management of stakeholder relationships is likely to be different than that of large corporations, as these could be built upon “a more informal, trusting basis and characterised by intuitive and personal engagement with less of a gap between the relative power and influence of company and stakeholder”. We agree with Jenkins’ statement based on the characteristics of employees and their special role for smaller companies.

It is visible that great part of the stakeholder research has focused on the importance of nurturing positive and long-lasting stakeholder relationships for effective decision-making and smooth operations. Now we pose it important to gain a greater understanding of how stakeholder engagement takes place in practice. In order to manage business
relationships, O’Riordan and Fairbrass (2014, p. 133) argue that firms must know how to engage with a range of stakeholders. Stakeholder engagement is concerned to the practices undertaken by organisations aiming to positively involve stakeholders in organizational activities (O’Riordan & Fairbrass, 2014, p. 123). It departs with the belief that firms no longer can only interact with stakeholders and merely respond to their pressures and expectations, but rather foster an environment of inclusion, that promotes dialogue, consultation, transparency, exchange and ultimately stakeholder identification with the company (O’Riordan & Fairbrass, 2014, p. 123).

Greenwood (2007, p. 315) advocates that stakeholder engagement “gives the impression of corporate responsibility” mainly due to the fact that if organizations promote stakeholder involvement in its policies and practices, they are actively responsible towards its stakeholders. Thus, the greater the engagement with businesses’ stakeholders, the more responsible and accountable firms become towards their stakeholders (Greenwood, 2007, p. 315). In this context, it can be argued that for long-term value creation, it is vital to take a look at the role of stakeholder engagement (Morsing & Schultz, 2006, p. 108).

Sloan (2009, p. 27) pointed out several reasons that support the importance of stakeholder engagement: (1) There is a need to understand the reasonable expectations and interests of different stakeholders; (2) Stakeholder engagement is likely to increase accountability, strengthen trust and corporate credibility; (3) It is a source of gaining acceptance and an indicator of managerial quality; and (4) Ultimately, it is one important element in the positive and long-term financial performance (Sloan, 2009, p. 27).

Stakeholder engagement can be translated to the process for managing firms’ social risk, by connecting with stakeholders and raising social capital (Andriof et al. 2002, p. 42). It also plays a role on firms’ performance (Hillman & Keim, 2001, p. 135) as it serves as valuable element for successful design and execution of policies and services, if effectively implemented and prompted by organizations (Zachary et al., 2014, p. 248). Stakeholder engagement is also viewed to be one of the decisive factors to determine positive CSR outcomes mainly due to the ability to innovate through stakeholder dialogue and stakeholder knowledge integration (Ayuso et al., 2006, p. 1402). Within this context, we can infer that stakeholder engagement is an important part of CSR strategy-making. In CSR, the process of stakeholder engagement include “the activities of engaging key stakeholders in communication, dialogue and operations, as well as getting consent of the stakeholders” (Lim & Greenwood, 2017, p. 768). Thus, companies that actively engage stakeholders in CSR efforts and afford their influence and cooperation in the strategy-making process can benefit from a more aligned corporate strategy with stakeholder requirements, expectations and wishes (Trapp, 2014, p. 45).

On a general level, it can be said that the lack of stakeholder engagement can undermine business opportunities and increase risks to firms (Strand, 2008, p. 23). More practically, previous study by Eccles et al. (2014, p. 2835) found that companies categorized as high sustainable are “more likely to have established processes for stakeholder engagement, to be more long-term oriented, and to exhibit higher measurement and disclosure of nonfinancial information”. In addition, high sustainability companies are also more likely to identify, engage, mutually agree with, create a common understanding with, and provide feedback to stakeholders (Eccles et al., 2014, p.2835). These characteristics, however, are said to be more present in large organizations than in SMEs due to these
firms’ difficulties in measuring and quantifying CSR information (Jenkins, 2006, p. 249). That does not mean, however, that smaller firms are not capable to be sustainable and focus on stakeholder engagement in their environments.

Despite the numerous benefits of stakeholder engagement, few authors also point the drawbacks this process can generate. It can, for instance, mean lack of control for the firm’s management side (Prahalad & Ramaswamy, 2004, p. 6), and also, if poorly managed, stakeholder engagement can also pose negative consequences (Sloan, 2009, p. 30), by, i.e. harming firm’s image or leading to unsatisfactory outcomes. Albeit authors identifying negative aspects of this phenomenon, we conform with the idea that stakeholder engagement stands for a much more positive contribution to firms’ management and performance than with the aforementioned disadvantages.

2.1.6. The role of communication in stakeholder engagement and CSR strategy-making

Having established the relevance of employees in SMEs, the increasing concern of managing stakeholders’ relationships and balancing their expectations (stakeholder management), as well as the importance of an open, transparent and collaborative integration with stakeholders into the strategy-making process (stakeholder engagement), we urge to study how stakeholder engagement is established in practice in the context of SMEs and applied to corporate social responsibility. To achieve our research purpose, however, we find it unthinkable to not include the communication aspect in this study, as “communication plays a crucial role in delivering organisational CSR activities and performance outcomes to stakeholders” (Lee et al., 2016, p. 92) and without communication “CSR would likely not have existed” (Borglund et al., 2017, p. 319). We agree with the aforementioned authors when they highlight the critical role of communication in regards to CSR (both prior decision-making and during CSR) and further uncover the importance of effective, two-sided communication to promote real stakeholder engagement with CSR strategy-making process. Because without communication, regardless of the form, there is no real, effective engagement.

Two models of stakeholder engagement were introduced by Sloan (2009): the control model and the collaboration model, each with different attributes and strategic goals (See table 2 for comparison of the models). The control model aims the management and control of stakeholders by monitoring, listening and telling. This model is defined as outward-looking, where stakeholders are seen as a threat and risk mitigation through stakeholder engagement is the main goal (Sloan, 2009, p. 37). The collaboration model, on the other hand, departs with a more collaborative approach, and “is more likely to generate strong social performance”, where organizations aim learning through collaboration and partnerships with its stakeholders (Sloan, 2009, p. 37). Communication is thus a key aspect of this model, where learning occurs from these interactions. Thus, we see the later model to be considered the most optimal for firms to adopt, as it fosters a transformative change within firms and the performance is argued to be higher than in the control model.
Further, by analysing stakeholder engagement as an important corporate activity, Miles et al., (2006) pointed to a transformation in corporate behaviour to improve competitive positioning through CSR. The inclusion of corporate stakeholders in strategy development focused towards social concerns has gained greater attention (Miles et al., 2006, p. 195). The author introduced one way of engaging stakeholders in strategy-making: through strategic conversations (see figure 1). Strategic conversations are defined as "multi-directional multi-dimensional communication mechanisms" aimed for "better shaping and integrating the strategic intent of top management with both the firm’s capabilities and the competitive realities the organization encounters" (Miles et al., 2006, p. 196). Strategic conversations are created to be open channels of unfiltered information between top management and ground level employees, as well as other stakeholders. A core element to strategic conversations is the “facilitation of the flow of tacit knowledge and the transfer of tacit knowledge into explicit knowledge in and around an organization” (Miles et al., 2006, p. 196). The arrows from the figure represent the information flow (communication) between top management and stakeholders.

![Figure 1: The Role of Strategic Conversations with Stakeholders.](source: Miles et al., (2006, p. 196))

Table 2: Two Models of Stakeholder Engagement – The Control Model and The Collaboration Model

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Control model</th>
<th>Collaboration model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate focus</td>
<td>Arm’s-length engagement</td>
<td>Inclusive engagement</td>
</tr>
<tr>
<td>Manager orientation</td>
<td>Stakeholders are a source of risk</td>
<td>Stakeholders are a source of opportunity</td>
</tr>
<tr>
<td>to stakeholders</td>
<td>Monitoring, listening, telling</td>
<td>Collaborating, partnering, learning</td>
</tr>
<tr>
<td>Key engagement</td>
<td>‘Bolted on’ to core business and</td>
<td>Integrated into core business and</td>
</tr>
<tr>
<td>processes</td>
<td>strategic processes</td>
<td>strategic processes</td>
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<tr>
<td>Relationship to core</td>
<td>Limited change</td>
<td>Transformative change</td>
</tr>
<tr>
<td>business process</td>
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<tr>
<td>Potential for corporate change</td>
<td>Good</td>
<td>Great</td>
</tr>
<tr>
<td>Likely performance</td>
<td>Good</td>
<td>Great</td>
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</tbody>
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Figure 1: The Role of Strategic Conversations with Stakeholders.
Source: Miles et al., (2006, p. 196)
In their model of strategic conversations, Miles et al. (2006, p. 196) highlight that customer needs are bound to be the centrepiece focus of organizational strategy development efforts. Following, the authors also acknowledge employees and their critical role of informing the firm about CSR important issues. Boundary spanning employees (BSEs) are those who hold closer contact and interact with customers, suppliers, regulators and competitors. They do therefore tend to have a more informed perspective about the firm’s capabilities and are more likely to identify opportunities to be explored (Miles et al., 2006, p. 197). As employees (BSEs) are more prone to be “aware of the value drivers for their specific target markets and the concerns of relevant stakeholders” their influence on firms’ strategic goals is likely to be higher (Miles et al. 2006, p. 197).

In order to be effective and supportive to the strategy-making, strategic conversations should contain explicit talking and listening by all participants involved (Miles et al., 2006, p. 196). One of the important aspects of Miles et al. (2006) model (seen table 3) is that, without the stakeholders’ engagement in strategic conversations, there is a risk that firms might be perceived as too management-centric, which can limit the perspectives of its own capabilities, opportunities and the relevance of formed strategies (Miles et al., 2006, p. 196). Hence, in order to avoid such risks, firms should pride to “integrate stakeholders’ preferences and needs into the organization’s performance management system in order to enhance organizational performance” (Miles et al., 2006, p. 199).

In her study, Trapp (2014) presented an overview of the varying degrees and aims of firms’ interaction, engagement and collaboration with stakeholders, in which she points to the identification of three strategies: informational, persuasive and dialogue strategies. Trapp’s categorization highlights the work of Morsing and Schultz (2006, p. 324 - 329), where they describe three CSR communication strategies for firms based on literature from Grunig and Hunt’s in 1984. Morsing and Schultz’ (2006, p. 326) communication strategies are aiming to catch what is the “very ambition of CSR communication, which is to present the company as an ethical and transparent socially responsible organization”, which they claim other models have failed to do. The authors argue that, in current times, a two-way communication, referred to as sensegiving as well as sensemaking, between firms and stakeholders is becoming more present. In order to cover the tendencies of CSR communication, the three strategies they formulated are (1) stakeholder information; (2) stakeholder response; and (3) stakeholder involvement. They

<table>
<thead>
<tr>
<th>Step</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Questioning and understanding the mental models and concerns of top management, BSEs, and relevant stakeholders</td>
<td>A richer understanding of the preferred strategic intent of the various participants</td>
</tr>
<tr>
<td>2. Sharing tacit knowledge among and between organizational and stakeholder groups</td>
<td>Enhancing the organization’s knowledge base, creating a shared understanding of the firm’s history, capabilities, performance, and future</td>
</tr>
<tr>
<td>3. Transforming relevant tacit knowledge into explicit knowledge</td>
<td>Codifying the firm’s knowledge base</td>
</tr>
<tr>
<td>4. Using this shared explicit knowledge to evaluate intended and emergent strategies in the process of strategic rationalization</td>
<td>A forced “reality check,” to determine whether there really is a “shared understanding” of the firm’s history, capabilities, performance, and future</td>
</tr>
<tr>
<td>5. Strategy formation</td>
<td>Enhanced competitive standing as an outcome of more informed and relevant strategy making</td>
</tr>
</tbody>
</table>

*Table 3: The steps of Strategic Conversations
are based on a one-way, two-way asymmetric and two-way symmetric communications respectively and linked to the sensegiving and sensemaking processes (Morsing & Schultz, 2006, p. 326).

Firstly, the stakeholder information strategy has the purpose to “inform the public as objectively as possible about the organization” (Morsing & Schultz, 2006, p. 327), using a direct, one-way, not necessarily persuasive, communication. The firm is supposed to inform stakeholders, as they can either support or oppose to the CSR by, for example providing resources by purchasing habits or striking. Interestingly, companies that fall within this strategy category often have a moral motivation to engage in CSR and managers “believe the company just needs to inform the general public efficiently” about the company’s social actions, with the intent “to build and maintain positive stakeholder support” (Morsing & Schultz, 2006, p. 327). This can be done through sustainability reports, websites, magazines or presentations (Borglund et al., 2017, p. 327). We find very little to no engagement of employees in the CSR strategy-making using this communication strategy, because they are not actively involved in the corporate actions’ decisions, but are rather informed about business decisions.

Secondly, the stakeholder response strategy “assumes an imbalance from the effects of public relations in favour of the company, as the company does not change as a result of the public relations” (Morsing & Schultz, 2006, p. 327). As a result, there is an attempt from firms to change behaviour and public attitudes (Morsing & Schultz, 2006, p. 327). Albeit relatively weak, stakeholder involvement originates in this strategy from the idea that firms’ needs the support from stakeholders and have therefore to make CSR activities relevant for these groups. Contrary to the one-way communication information strategy, in the response strategy, the companies’ aim is to persuade stakeholders about the good that they do (Morsing & Schultz, 2006, p. 327). Influence of stakeholders comes from the companies’ evaluation of their opinion and attitudes towards the CSR strategy where the company can evaluate or measure the stakeholders attitude by for example employing opinion polls, surveys, interviews, round-table discussions, social media and debates (Borglund et al., 2017, p. 327). It is stretched that this second strategy is still very close to the one-way strategy because it is a mainly one-sided sending “method of supporting and reinforcing corporate actions and identity” (Morsing & Schultz, 2006, p. 328). Concurrently, we see that in this strategy employees are still not actively involved and engaged on the co-creation of strategies towards CSR issues.

Lastly, the stakeholder involvement strategy carries the notion that firms also seek to be influenced by its stakeholders in addition to influence them (Morsing & Schultz, 2006, p. 328). Differing from the two previously mentioned, the involvement strategy builds upon a two-way symmetric communication. Meaning, the same sensegiving and sensemaking communication processes as the response strategy, but persuasion is coming both stakeholders and the organization itself, as both trying to persuade the other party to change (Morsing & Schultz, 2006, p. 328). The involvement strategy further differentiates from the response strategy by stating that, to sufficiently create CSR strategies, companies need to involve stakeholders as to be able to properly understand and adapt to stakeholders’ needs (Morsing & Schultz, 2006, p. 328). It assumes a dialogue perspective for strategy-making, as it is a managerial task to continuously engage in dialogue primarily aiming “to bring about mutual understanding, rational agreement or consent” (Morsing & Schultz, 2006, p. 328).
In the stakeholder involvement strategy presented by the authors is where we identify the real stakeholder engagement. This particular strategy pictures the importance of implementing an integrative perspective of CSR by engaging stakeholders in a collaboration and dialogue process, where stakeholders are given an active voice towards the strategy and their views and opinions matters for top management. In the involvement strategy, there is the presence of joint projects between organizations and stakeholders, where problems are defined, strategies are drawn up and activities performed in collaboration (Borglund et al., 2017, p. 327). The outcome, thereby, is a continuous revision of the CSR strategy, promoting a transparent and inclusive environment with stakeholders, elements which we consider fundamental for a positive managerial posture. In line with the understanding that engaging stakeholders “is more beneficial than simply informing, persuading or gauging them” (Trapp, 2014, p. 45), we acknowledge that the degree of employee engagement and involvement in CSR formulation will strongly impact the effectiveness of CSR initiatives (Slack et al., 2015, p. 538).

Bellow we have drawn a summary figure (figure 2) to link the distinct CSR communication strategies and their implications to stakeholder engagement in the CSR strategy-making of firms, based on the strategies introduced by Morsing & Schultz (2006):

![Figure 2: Varying degrees of Stakeholder Engagement in CSR strategy-making. Source: Adapted from Morsing and Schultz (2006, p. 326).](image)

As explained, communication is a vital element to the engagement process. Nevertheless, one important aspect to note is that CSR communication within SMEs is said to be “spontaneous and hesitant” given that these types of firms have fewer resources to carry out complex and established CSR communication ideas and programmes if compared to larger organizations (Lee et al., 2016, p. 93). From Lee et al. (2016, p. 96) findings, CSR communication to broad stakeholder groups in SMEs is relatively limited to social media
and their webpage, rather than bigger investments on mass media for disseminating large scale campaigns (often employed in larger organizations). From a primary stakeholder perspective, CSR communication targeting employees tend also to be informal among SMEs, as opposite to more structured, robust internal messages in bigger companies. Despite these differences, we still believe that the engagement process can be fostered by communication, albeit informal and less structured among SMEs.

2.1.7. **Summary of Stakeholder Theories**

In 2011, Manetti highlighted the attempt of stakeholder theory scholars to classify the existing models between stakeholders and organizations, in which they assume there is a “gradual growing path of stakeholder involvement” (Manetti, 2011, p. 110). The author summarizes the contributions to stakeholder theories with a model consisting of three important phases. It starts by the recognition of stakeholders and their distinction between primary and secondary stakeholder. After the so-called stakeholder mapping, organizations should balance distinct stakeholders’ positions and expectations about issues they support to better address firms’ actions. This is the second phase, and it is basically concerned with stakeholder management. Finally, the last phase is called the stakeholder engagement (SE), where there is a mutual commitment on resolving issues that can potentially arise in the relations between the corporation and its environment. As opposite to the aforementioned arguments from O’Riordan and Fairbrass (2014, p. 133), where the authors claim that firms must know how to engage with a range of stakeholders to better be able to manage them, we follow the line of thought of Manetti (2011) and place stakeholder management as a precondition for stakeholder engagement, because we believe the first does not necessarily imply that stakeholders are engaged. Thus, in the stakeholder engagement phase, the decision-making process involves stakeholders through information sharing, knowledge integration, dialogue and the formation of mutual responsibility to foster a dynamic context of interaction, respect and change (Manetti, 2011 p. 111). Therefore, the latter is more than a one-sided management of stakeholders, but rather a two-sided process (Manetti, 2011 p. 111). Communication is thereby highlighted as also an important condition to foster stakeholder engagement.

Gathering most of the topics this research study has covered until now, and based upon Manetti’s (2011) model, we have created a table to better illustrate the pattern for stakeholder engagement suggested by the author – See table 4. Some of the topics presented in this table serve as a basis for our interview guide with SMEs’ managers.

By understanding the managers’ views of whether they acknowledge employees as the most important and most influential stakeholder group in their firms (stakeholder mapping), we can also explore how they get to know employees’ concerns and expectations related to the firm (stakeholder management). Then, we can evaluate how these firms manage and eventually respond to such expectations. Finally, we aim to identify how (or if) firms engage its employees in CSR strategy-making (through communication and/or other activities).
Table 4: Gradual path of Stakeholder Engagement process

Gradual Path of Stakeholder Engagement

**Phase 1: Stakeholder Mapping**
- **Main objective:** Identify stakeholders
- **Stakeholder Classification:** Primary vs. secondary (Clarkson, 1995)
- **Stakeholder Attributes:** Power, Legitimacy, Urgency (Mitchell et al., 1997)
- **Stakeholder Influence Strategies:** (Frooman, 1999)

**Phase 2: Stakeholder Management**
- **Main objective:** Manage stakeholders’ expectations
- **Stakeholder Information Strategy:** (Morsing & Schultz, 2006)
- **Response Strategy:** (Morsing & Schultz, 2006)
- **Balance the positions to better accommodate stakeholders’ needs and expectations**
- **True understanding of stakeholder relationships as a precondition to successful and efficient SE** (Manetti, 2011)

**Phase 3: Stakeholder Engagement (SE)**
- **Main objective:** Engage stakeholders in decision-making
- **Employ Strategic Conversations:** (Miles et al., 2006)
- **The involvement strategy:** (Two-way symmetric communication) (Morsing & Schultz, 2006)
- **Control x Collaboration Model:** (Sloan, 2009)

CSR Strategy-making
2.2. Corporate Social Responsibility

“It is easy to dodge our responsibilities, but we cannot dodge the consequences of dodging our responsibilities” - Josiah Charles Stamp

2.2.1. Understanding CSR

The first definitive modern literature on corporate social responsibility (CSR) was published as early as 1952 by Howard R. Bowen’s (cited in Carroll 1979, p. 497). Ever since, much has been discussed about CSR in the academia, albeit scholars haven’t yet arrived in a consensus on the definition of the term. Carroll (1999, cited in Crane, 2008, p. 47) has identified over 25 different definitions of CSR in the literature. More recently, an astonishing number of 37 CSR definitions have been identified and analysed by Dahlsrud (2008). Some refer to CSR as the “an organisation-level approach to addressing social and environmental externalities of economic activity” (Preuss & Perschke, 2010, p. 536), or the “broad areas of responsibilities corporations have to the societies within which they operate” (Okpara & Idowu, 2013). Other definitions also include stakeholders such as “[…] the company activities – voluntary by definition – demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders” (Van Marrewijk, 2003, p.102). According to Dahlsrud (2008, p.7), the Commission of European Communities is one of the most frequently counted definitions of CSR and it encompasses the concept “whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. For this thesis, we will be referring to corporate social responsibility in line with this definition.

Many different views of sustainable business have been brought to light, such as “business ethics, corporate citizenship, stakeholder management, and sustainability” (Carroll, 2015, p. 87), as well as “creating shared value” (Carroll, 2015, p. 87). Following, different approaches to CSR have so far been suggested since its introduction to both academia and managerial practice, arguably the most popular being the triple bottom line (TBL) and Carroll’s (1991, p. 40 - 42) four parts of CSR. John Elkington, a consultant, first coined the term triple bottom line (TPL) in 1994 (The Economist, 2009). The TPL consists of the idea that companies should measure three outcomes, also known as bottom lines, of their activities; the economic, environmental and social measure. These bottom lines are seen as the responsibilities a company should be accounted for and are also known as the 3 P’s; People (social), Planet (environmental) and Profit (economic) (Elkington, 1994).

Economic responsibility comprises of the traditional measure of corporate profitability, containing the traditional monetary responsibility of firms. Secondly, the environmental responsibility measures the ecological impact of the company’s activities. Usually the environmental responsibility is associated, for instance, as the carbon footprint activities and its impact on the environment. Lastly, social responsibility, also known as ‘people’ accounts and measures in some way to which extend the firm has been (or is) socially responsible in their activities (The Economist, 2009). The triple bottom line principle is usually found more in managerial practices and we use Elkington’s theory in our study as we see the TPL as a practically known representation of CSR that SMEs are most likely to recognise.
The book Elkington (1994) wrote introduced a changing priority of corporate governance among firms. It highlighted a new managerial focus, not only based on the short term financial bottom line, but also a long-term focus on the social and environmental bottom lines (Elkington, 1999, p. 311). The author claimed that, in order to secure market success, firms (and the entire value chain) must be able to simultaneously satisfy both the profitability bottom line and the emerging bottom lines of social justice and environmental quality (Elkington, 1994, p. xi). More importantly, Elkington (1994) argued that exclusive governance would move towards an inclusive governance and, in the same line, the old paradigm of ‘shareholders’ would move towards the new paradigm of ‘stakeholders’ (Elkington, 1999, p. 311). Further, Elkington also expressed the importance of employees or, what he called, “emerging” stakeholders (Elkington, 1999, p. 166) and build upon the element of trust, a form of social capital, as an important cost reducing factor for firms (Elkington, 1999, p. 167). The potential of stakeholders is revealed in this sense due to the fact that they can be driver forces for companies that do not have an intrinsic motivation to be sustainable (Elkington, 1999, p. 164).

In addition, Elkington acknowledged the varying degrees of stakeholder engagement, and how they could affect the success (or not) of firms. He draws upon an example of Shell that initially tried to persuade society that their values were right. However, from the scale of the negative reaction from society, it was clear that Shell’s message was insufficient and incompatible with its stakeholders’ views and expectations, and the company moved its posture towards one that included the most important stakeholders in discussions about environmental issues. This proved that in order to succeed “stakeholder engagement initiatives must be genuinely interactive” (Elkington, 1999, p. 144). Such argument goes in line with our understanding of CSR to be an integrative perspective, by highlighting the importance of stakeholders for firms for effective assessment of responsible issues and the necessity for effective, inclusive stakeholder engagement with decision-making.

Reading Elkington in an era of interconnectedness and globalization, the author was right about the importance of incorporating the triple bottom line in firms’ actions, as well as when he proposed that stakeholders could lead firms to move towards more sustainable and responsible business practices. Furthermore, his understanding about the inclusion of stakeholders in defining corporate actions as the key to successful and ethical activities and risk mitigation is present nowadays and growing in importance. Thus, we identify these topics as highly important for firms’ managerial practices.

A more commonly known and widely built upon CSR approach is that of Carroll (1991). In the early 90’s, Carroll argued that businesses have multiple responsibilities and the concept of corporate social responsibility has evolved towards a more integrative perspective. In practice, the author approached the obligations of companies in a variety range of streams: economic, legal, ethical and philanthropic. These four components together are argued to form the total CSR (Carroll, 1991, p. 40 - 42).

Economic responsibilities consist of the corporate goal of maximizing profits and holding a strong competitive position (Carroll, 1991, p. 41). Legal responsibilities form the component in which the company is responsible of being a law-abiding corporate citizen, at least complying with regulations and staying within the legal parameters of the law while pursuing their economic missions (Carroll, 1991, p. 41). The economic and legal responsibilities are required of business by society, given stakeholders like owner/shareholder and law creating governmental entities (Carroll, 2015, p. 90). Thirdly,
Ethical responsibilities are those related with the ethical norms in societies and concerns whether the company lives up to them and recognises new norms that are adopted by society. It goes beyond the legal responsibility and ads by firms doing what is morally or ethically good on top of compliance with law and/or regulations (Carroll, 1991, p. 41). Ethical responsibilities can also be seen as responsibilities that haven’t been formally codified into laws and regulations yet and these are ought to be expected by society (Carroll, 2015, p. 90). Ethical responsibility encompasses the scope of “norms, standards, values and expectations that reflect what consumers, employees, shareholders and other stakeholders regard as fair, just and consistent with respect for protection of stakeholders’ moral rights” (Carroll, 2015, p. 90). Lastly, philanthropic responsibilities are considered those that a company do to be a “good corporate citizen” (Carroll, 1991, p. 42). Firms’ activities are urged to live up to being a good corporate citizen by “engaging in acts or programs to promote human welfare or goodwill” (Carroll, 1991, p. 42) and generally enhancing society. Not to be confused with the ethical responsibility, the contribution of firms’ resources is not expected by society from an ethical point, and firms will not be perceived unethical when not taking up their philanthropic responsibilities. Communities rather desire organizations that contribute their financial resources and employee time devoted to humanitarian purposes or programmes (Carroll, 1991, p. 42).

These four components can, according to Carroll (1991, p. 42), form a pyramid (See Figure 3), ranging the extend in which each responsibility reaches.

![Figure 3: The Pyramid of Corporate Social Responsibility](source: Carroll (1991, p. 42))

The economic responsibility forms “the building block” of the pyramid and is the foundation of all other components (Carroll, 1991, p. 42). The second block, the legal one, assumes that the law is odd to be obliged to, as it is the “society's codification of acceptable and unacceptable behaviour” (Carroll, 1991, p. 41). Following, ethical responsibilities reach beyond the legal parameters, minimizing “harm to stakeholders”. Finally, the philanthropic responsibilities reach beyond the concern with ethical norms and are those seen by contributing financial and human resources to improve general society (Carroll, 1991, p. 42).
In his more recent work, Carroll (2015, p. 87) argues that, nowadays, “ethics and philanthropy help to round out the socially responsible expectations placed on modern organizations” where he states the emphasis for firms to be socially responsible on these two streams of responsibility in order to be sustainable in a highly competitive, dynamic and increasingly global marketplace. Therefore, the philanthropical responsibilities are becoming substantially more expected by society.

Albeit the proper scope and multiple definitions of CSR tend to be one of the subjects in management that raises contestation among scholars, it is visible the growing concern from businesses around this theme. Authors such as Collier and Esteban (2007, p. 30) even stress the idea that CSR is not merely an optional extra. As Crane and Matten (2010, p. 51) pose, corporate social responsibility matters for several reasons. First of all, firms that are perceived as being socially responsible might be rewarded by a broader and more satisfied customer base. Secondly, firms that act in social responsible manner might attract more committed and motivated employees. Thirdly, organizations that successfully and voluntary engage to social programs can benefit from a higher degree of independence from governments. And finally, firms that promote initiatives that pride to make a positive contribution to society can foster the creation of an improved and more competitive context of doing business (Crane & Matten, 2010, p. 51). From the evolving corporate responsibility paradigm introduced by Crouch and Maclean, (2012, p. 57), some important characteristics present among successful business nowadays are: strategic engagement, substantive ongoing dialogue, transparency and accountability and promotion of the societal well-being, as opposed to the purely focus on shareholder value, and the “business of business is doing business” line of thought that dominated the business logic in the past decades.

Understanding CSR is important in this study to define the boundaries which smaller firms act and prioritize in when they engage in CSR, if they do. Logically, the understanding of CSR is indispensable when looking at the engagement in CSR because, collectively with stakeholder theory, CSR gives an understanding of how and why employees would be engaged.

2.2.2. CSR and SMEs

As emphasised previously, CSR is a vastly studied field among scholars. Studies approaching this phenomenon, however, have mainly focused on large firms and we should consider CSR initiatives of SMEs given their representative presence in the economy. Only in Sweden, for example, SMEs account for 61.3% of value added and employment (European Commision, 2016, p. 2). More precisely in Umeå, Västerbotten region, there is about 12000 firms classified as SMEs in a variety set of industries (Umeå Kommun, 2018).

To understand CSR in an SME context, we first need to establish our comprehension of what an SME is. In setting the definition of SMEs, we follow the recommendation of The European Commission (2003, p. 36-41) which determines SMEs as companies with less than 250 employees, and a turnover of less than 50 million Euros or balance sheet total of less than 43 million Euros.

Arguably, the term CSR is questionable within the context of SMEs, mainly due to the “corporate” part of the term. This is because, although many SMEs are corporations, some do not carry a ‘corporate’ entity (Sweeney, 2007, p. 520). In practice, Sweeney (2007, p.
(27) found that “small firms questioned the corporate element of the term”. Taken the disagreement of the correct definition, and the fact that some SMEs do not have a corporate entity moved few authors (Fuller and Tian, 2006, cited in Fitjar 2011, p. 31; Lepoutre & Heene, 2006; Moore & Spence, 2006; Spence, 2007, p. 546) to coin different terms of identifying CSR in SMEs. To mention one, Spence (2007, p. 546) argue that, instead of CSR, “small business social responsibility” or “responsible entrepreneurship” should be used to accurately reflect the CSR phenomenon on smaller firms. However, in line with other studies like Fitjar (2011) and Sweeney (2007) we will use the term CSR throughout this present work to identify the same social and responsible activities also under SMEs that do not carry a corporate entity. We agree with Castka et al. (2004, p. 142) by identifying that CSR has a generic nature and is therefore applicable (albeit with distinct characteristics) to different organizations, regardless of type and size. Keeping the term CSR itself instead of small business social responsibility will enable us to create uniformity within the use and comparison of literature. Not taking full disregard of SMEs concerns of the terminology CSR, we bear in mind the possible asymmetries can originate from a misunderstanding of the term with SMEs’ managers.

Given our definitions, we begin by understanding CSR in the light of small and medium sized enterprises. Some scholars have defined SMEs as “little big companies” (Tilley, 2000, p.32), and suggest to fit CSR to the level of SMEs. However, other and more recent studies identify important differences in SMEs compared to large firms (Spence, 2007, p. 536). This is in line with Westhead and Storey (1996, p. 18) who say that “the small firm is not just a ‘scaled-down’ of a large firm” and theories related to SMEs “must consider the motivations, constraints and uncertainties facing smaller firms” bringing the importance and recognition of differences these firms face in comparison to those facing larger firms. The Commission of the European Communities has also acknowledged the difference between CSR in large firms and SMEs and recognises a specific approach for them is needed (CEC, 2006, p. 8; Spence, 2007, p. 534).

Spence (2007, p. 536) introduced seven characteristics of SMEs that sustain the argument of why CSR perspectives within SMEs must be distinctive than CSR on large firms: (1) There is a lack of codification of CSR among SMEs, which, unlike large organizations, SMEs are less propense to recognize the term CSR itself; also, it is often that managers associate the terminology of CSR with unnecessary effort (Lee et al., 2016, p. 91); (2) Personal motivation in SMEs tends to stand out more than formalized marketing, strategic and public relations approaches to responsible initiatives, which are often employed on an ad-hoc basis; (3) Often, the owner-manager is the one responsible for CSR implementation; (4) Moral proximity to local communities and customers can affect CSR implementation; as pressures and norms from community and peers are internal drivers for ethics (Lepoutre & Heene, 2006, p. 260); (5) SMEs have more flexibility and propensity to cooperate through social capital and informal relationships to foster CSR initiatives; (6) Greater employee consideration is placed in SMEs context and on CSR initiatives, as employees are seen as key stakeholders of small firms; and (7) The type of industry and context in which firms operate might bring different roles SMEs have towards CSR.

Building upon this knowledge, scholars have found many positive and negative implications of CSR within smaller firms compared to large firms. From a positive perspective, a way to promote a greater interest in firms to develop a CSR agenda may lay in the fact that CSR support a relevant basis for competitive advantage and value
added (Jenkins, 2009, p. 23). As concluded in a recent study, SMEs believe engagement in CSR will improve their competitive position (Reyes-Rodríguez et al., 2016, p. 208). It is noteworthy to mention that, in the same study, the authors also identified an actual positive effect of CSR on the SMEs’ competitive advantage (Reyes-Rodríguez et al., 2016, p. 208).

Advantages to include CSR in the strategic domain of SMEs are numerous. Freisleben (2011, p. 54) argues that SMEs stand in a more favourable position to quickly develop and implement CSR initiatives, due to less bureaucratic constraints and smaller hierarchical management layers that characterize these firms. In addition, Sweeney (2007, p. 520) found that “SMEs are closer to their stakeholders and can more easily build relationships” and these types of firms “are considered more flexible and can quickly respond to stakeholder demands and implement stakeholder policies”. Further, approaching some characteristics of SMEs that can foster the opportunities to engage with CSR, Jenkins (2009, p. 29) also describes creativity and innovation-orientation; more fluid communications; and closer proximity of the owner-manager to daily operations. Also, Lee et al. (2016, p. 95) have identified that the competitive advantage SMEs see in regards to CSR is essentially internal-driven one, rather than doing the “right thing” due to external pressures. In addition to internal motivation being more powerful than external motivation to pursue CSR, Lee et al. (2016) also found that SMEs were mainly focusing on internal communication of their CSR in order to improve employee satisfaction. Concentrating on organisational benefits, companies investigated were said to focus on “the improvement of relationships between employees and the company, while the relationships with external stakeholders take second place” (Lee et al., 2016, p. 95). These findings suggest that, for SMEs, stakeholder management is more focused on primary stakeholders than secondary stakeholders, and primary stakeholder engagement with CSR decision-making, in this case employee engagement, could potentially be stronger within these firms. To sum up, informal relationships, flexibility, less bureaucracy and closer proximity to stakeholders are elements that can help SMEs to reduce the gap between operational CSR in theory and in practice.

At the same time, one can argue that SMEs might be less prepared in terms of time, human and financial resources to formalize CSR strategies. In Jenkins’ (2006) study, all 24 companies investigated faced constraints in terms of both time and resources, along with “a lack of information” and problems with “embedding a CSR culture in the company”. Not only that, SMEs covered in his research had difficulties in the measurement and quantification of the benefits of CSR, make connections with the community and maintain the momentum of activities in their CSR efforts (Jenkins, 2006, p. 249). In addition, the lack of realizing opportunities within CSR and often perceptions as a cost burden are some of the reasons to explain why CSR is at times neglected for SMEs performance management (Jenkins, 2009, p. 24). Spence (1999, cited in Lee et al., 2016, p. 91) described SMEs as “fortress enterprises”, and implied that these firms are bond to value only internal concerns of the business as usual, leading them to be “disconnected from the business environment” (Lee et al., 2016, p. 91). The author posed that external issues in SMEs are only dealt with the necessary urgencies that they demand, which characterizes a purely reactive posture of these firms, rather than a proactive CSR position. Thus, the views of CSR being as a risk management activity rather than a way to social improvement is a present characteristic of SMEs (Lee et al., 2016, p. 91).
In a Lee et al., (2016) study, the authors explored two Swedish SMEs and aimed to find their perception about CSR (“who”), their motivation to engage with CSR (“why”), and the activities and communication (“what”) towards CSR. To summarize the differences between large corporations and small business CSR, they have developed a table (see table 5). The key differences between smaller and bigger companies lie on the existence of formalized and planned CSR strategies, lack of recognition of CSR related initiatiates and causes and no dedicated personnel for CSR-related matters.

<table>
<thead>
<tr>
<th>Corporate CSR</th>
<th>Small Business CSR</th>
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<tr>
<td><strong>Who</strong></td>
<td></td>
</tr>
<tr>
<td>Responsible to wide range of stakeholders</td>
<td>Responsible to fewer and/or different stakeholders</td>
</tr>
<tr>
<td>Perceived responsibility to society at large</td>
<td>Perceived responsibility to the local community</td>
</tr>
<tr>
<td>Importance of shareholders</td>
<td>SMEs often don’t have shareholders</td>
</tr>
<tr>
<td><strong>Why</strong></td>
<td></td>
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<tr>
<td>Protection of brand image and reputation</td>
<td>Protection of customer business</td>
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<tr>
<td>Pressure from consumers</td>
<td>Pressure from business customers down the supply chain</td>
</tr>
<tr>
<td>Shareholder pressure, the SRI (socially responsible investment) movement</td>
<td>Pressure from money lenders? Unaffected by SRI movement</td>
</tr>
<tr>
<td>The business case</td>
<td>Proven business case lacking</td>
</tr>
<tr>
<td><strong>How</strong></td>
<td></td>
</tr>
<tr>
<td>Based on ‘corporate values’</td>
<td>Based on principles of ‘owner-manager’</td>
</tr>
<tr>
<td>Formal strategic planning for CSR</td>
<td>Informally planned CSR strategies</td>
</tr>
<tr>
<td>Emphasis on standards and indices</td>
<td>Emphasis on intuition and ad hoc processes</td>
</tr>
<tr>
<td>Key involvement for CSR professionals</td>
<td>No dedicated personnel for CSR programmes</td>
</tr>
<tr>
<td>Mitigation of risk</td>
<td>Avoidance of risk</td>
</tr>
<tr>
<td><strong>What</strong></td>
<td></td>
</tr>
<tr>
<td>Prominent campaigns</td>
<td>Small scale activities such as sponsorship of local football team</td>
</tr>
<tr>
<td>Publicity linked to CSR activities</td>
<td>Activities often unrecognised as CSR related</td>
</tr>
</tbody>
</table>

Table 5: Corporate vs Small business CSR
Source: Lee et al., (2016, p. 92).

In their study, Vo et al. (2015) attempted to understand and compare the roles of the main three elements of CSR - economic, social and environmental – to identify which stream prevails as the biggest motivator for SMEs to integrate CSR into their business strategy. The economic motive is concerned to the economic viability of the firm, reflecting the firms’ operations but beyond the short-term profit maximizing logic (Vo et al., 2015, p. 1976). The environmental motive is divided in two: the reactive and the proactive. The reactive environmental motive is where companies aim to solely expend the minimum level of effort required to stay compliant with regulations and standards. Thus, the reactive environmental motive does not necessarily create competitive advantage (Vo et al., 2015, p. 1983). The reasoning behind is that, in case SMEs are not compliant, it is unlikely that they will avoid the negative consequences, which is often translated into higher costs for the organization. Thus, the cost reduction element is the real motivator element of behaviour change, making the environmental benefit simply a “positive byproduct” (Vo et al., 2015, p. 1977). Whereas the proactive environmental motive is the one that fosters firms to transform their operational activities to become more efficient and develop environmental-friendly offerings due to the growing trend of clean and green practices (Vo et al., 2015, p. 1977). Finally, the social motive has as a focal point on creating social cohesion and equity, by, i.e. recognizing the “health, safety and general well-being of employees” or by enabling good actions towards local communities and maintaining the motivation of the workforce. As mentioned before, SMEs are closer to its stakeholders and they are said to have a “true interest in caring for the community and the employees, which comes before their economic concerns” (Vo et al., 2015, p. 1976).
In addition to that, social responsible efforts of smaller firms are argued to be rather focused on “ensuring the maintenance of the livelihoods of employees, managers, and owners” (Spence 2000, cited in Spence, 2007, p. 538).

From Vo et al. (2015, p. 1984) regression analysis with 115 French SMEs, their findings indicate that the economic motive was the key driver for CSR integration into smaller firms’ strategies. They pose that the concerns for economic survival are stronger than those of protecting the environment and addressing employee and community issues, as the latter two reveal to be insufficient to motivate SMEs to address CSR issues in their business operations (Vo et al., 2015, p. 1983). Intriguing enough, these results are contradictory if compared to the arguments of Lee et al. (2016) where it is identified that SMEs are more propense to engage in CSR due to their commitment to maintain strong internal relationships and their internal motivation of doing good. In the same line as Lee et al. (2016), studies from Preuss & Perschke (2010) and Lamberti & Noci, (2012), also pointed that ethical motivations to engage with CSR were far greater than the primary focus of profits among smaller firms (Vo et al., 2015, p. 1976). Thus, it is valid for us to understand what are the real motivations of SMEs in this study to engage in CSR.

2.2.3. CSR strategy-making in SMEs
A central topic in corporate social responsibility is the necessity for organizations to account their role in society, as well as the responsibilities they bear towards society. A successful CSR strategy has to be tailored to specific context to each individual business (Dahlsrud, 2008, p. 6) and excelling in social responsibility requires companies to integrate sustainability in its business processes and strategic decision-making (Sloan, 2009, p. 32). According to Carroll (2015, p. 95), “CSR/ Business Ethics/ Corporate citizenship/ Sustainability is part of virtually every company’s agenda”. However, in the context of SMEs, CSR is still shown to be a very difficult aspect for firms to understand and apply in their realities (Murillo & Lozano, 2006, p. 227).

When it comes to the CSR strategy-making in SMEs, scholars argue that this process is usually informal and, because SMEs often have an owner-manager structure, CSR is based on the owner-managers internal motivations (Lee, Herold & Yu, 2016, p. 92). Some CSR initiatives in SMEs are described by Jenkins (2004, p. 52) as “silent CSR”, when talking about the socially responsible activities of managers in the local community. Other authors also coin terms such as “sunken CSR” or “implicit CSR” (Hsu & Cheng, 2012, cited in Lee et al., 2016, p. 92; Perrini, 2006). The creation of these terms substantiates the informal existence of CSR initiatives within SMEs, given their often-unorganised and informal approach to CSR.

One of the key goals of corporate social responsibility strategy development is to address the requirements, expectations or desires of stakeholders (Carroll, 1991, cited in Trapp, 2014, p. 43). From a stakeholder perspective, firms that engage in CSR are required to balance the desires of possibly conflicting stakeholders’ interests, while at the same time protecting the firms’ reputation, community and labour relationships, and ultimately securing positive financial performance (O’Connor et al., 2016, p. 40). Therefore, it is not surprising that many scholars see CSR strategy development as a form of stakeholder management (Trapp, 2014, p. 43).

We align with Miles et al. (2006, p. 195) when they touch upon the value of engagement in the decision-making process by arguing that stakeholder engagement is the key to
organizational success. Firms that explicitly engage its stakeholders in the CSR strategy-making process can enhance the CSR strategy-making, diminish future stakeholder concerns and build and maintain more robust relationships with its stakeholders. In her study, Trapp (2014, p. 47) argues that CSR strategy-making is an undoubtedly an internal function, to the extent that internal (primary) stakeholders are the most salient stakeholders’ group and thus highly influencers on the CSR strategy. As Behnam and Rasche (2009, p. 86) argue, firms’ employees “need to be given the freedom to communicate and share ideas” in order for organizations to build a strong “ethical” identity. For SMEs, we can assume that the stakeholder engagement (focused on employees) with CSR strategy-making is higher, because there is less distance in the relationships with employees among these firms. The more informal relationship could foster open sharing of ideas and the freedom to communicate.

2.3. Key takeaways from the Theoretical Background

2.3.1. Corporate Social Responsibility

In this study, we introduce CSR theory and provide a better understanding about how social responsibility is applicable among SMEs. We approach CSR from two perspectives: the Triple Bottom Line principle and the four main CSR components presented by Carroll (1991).

The three pillars of CSR are those coined by Elkington (1994), known as the Triple Bottom Line or 3 P’s: Social (People), Environmental (Planet) and Economic (Profit). Aimed to educate and guide firms, the author argues that there is not only the financial bottom line, but rather three bottom lines that count for firms’ long-term positive and sustainable performance.

Furthermore, CSR is built upon four components: economic, legal, ethical and philanthropic responsibilities (Carroll, 1991). The author argues these components form a pyramid that serves to portray the total CSR of business. This pyramid is used to illustrate the different responsibilities firms have towards society and their stakeholders. Firms can show and excel in their social responsibility by engaging in the top two, ethical and philanthropic layers. The lower two layers, economic and legal, are binding responsibilities, meaning that ultimately firms have no other choice than to simply comply. The law is the law. Therefore, firms can differentiate and contribute to society in the top half of the period.

We believe that SMEs are most likely to recognize at least some of the constituents of the TPL, rather than the elements of the CSR introduced by Carroll, since ethical and philanthropic responsibilities might be perceived as falling into the social category of the TPL, instead of two separate domains of CSR. Nevertheless, we are aware that SMEs might not understand CSR in the same line as academic researchers. Based on this assumption we adapt our research to cover general topics of CSR that are more relevant for managerial practices for a better understanding among our participants.

2.3.2. SMEs & CSR

The most prominent unique characteristics of SMEs in contrast to larger firms are: owner-manager structure, higher flexibility, easier adaptability to opportunities and changing conditions, greater dependency on employees and more propensity to cooperate through social capital. Other than that, SMEs tend to have informal relationships and dialogue can
be characterized by less formalities, which makes them have smaller proximity to their stakeholders, where trust is an important element within these relationships. Due to this proximity, a greater stakeholder engagement in the decision-making among these firms can be fostered. Thus, the individual characteristics of SMEs can facilitate the inclusion of CSR in their corporate activities and strategic agenda.

SMEs might have several motives to integrate corporate social responsibility into their business strategy. These motives can be economic, social or environmental. Vo et al., (2015) indicated that the economic motive stands the most for smaller firms to engage in CSR. However, other scholars also argue that social motive of doing good is usually the biggest driver of social responsibility. Usually, CSR activities among SMEs are mainly internal driven and also aimed internally, as these firms hope to gain a competitive advantage through improved organisational benefits. Personal motivation tends to stand out more than formalized marketing and strategic outcomes in SMEs. Generally, these firms have rather informal CSR strategies and perform different roles towards CSR based on their sector.

Simultaneously, SMEs are less propense to recognize the term CSR; they often have time and resource constraints and a potentially weak embedded CSR culture. These firms face difficulties in measurement and quantification of the benefits of CSR. In addition, poor identification of opportunities related to CSR and the often views of CSR being a cost burden are hinders for SMEs to devote time in CSR.

2.3.3. Employees in SMEs
Employees are notoriously one of the most important stakeholder groups of any firm, but they are especially important among SMEs. They are qualified as dominantly salient stakeholders due to their power over labour and influence and high legitimacy in the company. They have control over important firm resources and “act in the name of the corporation” with CSR implementation (Greenwood, 2007, p. 316).

These characteristics make employees as important actors in responsible change and grant them the position to hold valuable sources of intelligence for opportunity mapping of socially responsible issues. In addition, SMEs are more dependent on a network of interpersonal relationships (Spence et al., 2003, p. 26) and employees become of greater importance in this context, where SMEs tend to focus their efforts on sustaining a positive relationship with its employees. To conclude, this makes us expect that employees among smaller firms have a higher degree of engagement with top management with CSR-related issues, due to their proximity and closer relationships to the managers.

2.3.4. Stakeholder engagement
The extent to which firms are able to serve their stakeholders ultimately affects the overall performance and competitiveness of the firm. Stakeholder engagement is key to better decision-making, knowledge integration, mutual collaboration, learning, risk mitigation, stakeholder satisfaction and assists in building trust and maintaining a positive managerial posture.

Higher employee engagement can lead to CSR strategies that are better embedded and aligned with organizations’ norms, values and cultures, which, in turn, can foster more
significant employee commitment and satisfaction to the firm and help firms succeed in their responsible initiatives and strategic goals.

Stakeholder engagement is a present perspective in both CSR theories from Elkington and Carroll, where it is evident the importance of positive stakeholder relationships with CSR outcomes. Successful engagement of employees in the CSR strategy-making can be a valuable source of gaining market intelligence from the interaction and learning with stakeholders, leading ultimately to better relationship management and positive performance (Trapp, 2014, p. 45). To achieve that, however, firms should be able to follow a gradual path of stakeholder engagement presented by Manetti (2011). Moreover, real and effective stakeholder engagement includes a collaborative environment by the firm, and with the appropriate communication in place. Communication, as mentioned before, is a crucial element in stakeholder engagement and the degree of interaction within communication places firms in different stages of the stakeholder engagement process. From our literature review, we have identified mainly three methods to effectively and positively engage with stakeholders that include the vital communication aspect: by employing strategic conversations, through the collaboration model or by the two-way communication (involvement strategy). Despite communication about CSR in SMEs being said to be less structured, and more informal, we believe that these companies can still engage employees with CSR matters and concerns on a, sometimes ad-hoc, informal basis and with characteristics of these methods.

2.3.5. Preliminary framework
The following figure 4 summarizes the theoretical literature as we interpret and apply these to the context of corporate social responsibility among firms and their relationships with its stakeholders. The Stakeholder Engagement figure with CSR strategy-making from figure 4 is used as a guideline for us to understand the behaviours of SMEs in regards to CSR, CSR strategy-making and stakeholder engagement. We summarize the characteristics of SMEs and employees in SMEs. We also structure different topics from stakeholder theories – stakeholder mapping, stakeholder management and stakeholder engagement – which can enable us to assess how smaller firms in Sweden are located in this spectrum. On the first stage, we can pinpoint the employees’ role in SMEs, their influences in the organization and their acknowledged (or not) importance for firms’ managers. Throughout the model, it is also possible to identify how firms manage their expectations and wishes and whether management takes a step further to become a “stakeholder engaged-centric” organization. Finally, CSR in SMEs as well as the process of CSR strategy-making can be identified, based on the path that firms undertake, such as the motivations to develop CSR and whether CSR strategies are formalized in this context. We believe the structure of this table helps us to answer our research question since it clarifies the interconnectedness of different theories and how the engagement of employees in the CSR strategy-making can be achieved and identified among smaller firms.
Figure 4: Stakeholder Engagement with CSR strategy-making
3. Scientific Methodology

In this chapter we will justify the methodological choices that will guide our research to answer the proposed research question. We begin with an overview of our pre-understandings as researchers. Then, we introduce and support our philosophical standpoints regarding the nature of reality and what is considered as acceptable knowledge. We finish by underlining our research approach, chosen research strategy and the process we undertook for literature search.

3.1. Pre-understandings and Axiology

Axiology is concerned with the role of values (Collis and Hussey, 2014, p. 48). Values reflect the beliefs or the feelings of a researcher (Bryman and Bell, 2003, p. 27) and they can play a role or not in the outcome of the research. One important aspect of values in research is whether the assumption that prior knowledge, experience, attitudes and perceptions of the researcher will influence both the ways the researcher sees things, as well as what is seen under the investigation of the study (Bryman and Bell, 2003, p. 27). Durkheim (1858-1917; cited in Bryman, 2012, p. 39) advocated that “preconceptions must be eradicated”, given that values are a form of preconception and its inclusion on research is erroneous. Nevertheless, this position is said to not be credible among social sciences anymore, due to the growing acknowledgement that it is unlikely that researchers can not entirely eradicate their values to research (Bryman, 2012, p. 39).

We are two master students at Umeå University with a shared Marketing background during the Bachelor and with different specializations on the Masters’ level: Marketing and Business Development and Internationalization. Apart from the academia, our professional background is of complementing nature, whereas Raquel has working experience with a global organization and SMEs and Jens’ background comprises of working experience within SMEs. Due to our experiences, we aimed to combine our current two disciplines, using them as complementary towards each other. Our preconceived knowledge derived from both academic, professional and international experiences might affect the results of the research, which could lead us to bias and inclusion of our values in the research. This can potentially give rise to questions of the validity of the study. However, as we believe our background diversity can positively affect the knowledge creation process and contribute to the interpretation of data, this could, instead, raise the credibility of our investigation.

The choice of research topic initially arouse from our personal interest given that we value the importance of responsible business practices. Also, its undeniable and growing importance aspect among firms together with our previous academic experience covering sustainability issues indeed contributed to the choice of subject. As we are about to enter the labour market, we saw that there was an opportunity to explore the real implications of stakeholder engagement in the decision-making, given that we expect that we, as future employees, can also positively influence our future employers in their CSR endeavours. We also hope that we can be given an active voice for the formulation of strategies that address social, environmental and economic issues.
3.2. Research Philosophy

A research paradigm is concerned to the philosophical framework that should guide the conduction of a scientific research (Collis and Hussey, 2014, p. 43). The research paradigm is built upon people’s philosophies and their assumptions about the world and the nature of knowledge. Researchers like Easterby-Smith et al. (2012, p. 17) argue that understanding philosophical issues is useful for research due to three reasons: first, the chosen philosophy will help in clarifying the research design, which can help clarify both how the evidences will be gathered and interpreted, as well as how these evidences can provide the aimed answers to the focal questions raised in the research (Easterby-Smith et al., 2012, p. 17). Secondly, the knowledge of philosophical issues can assist the researcher with the identification of which research design is best suitable for the study, serving as an enabler to both avoid making blind decisions and to indicate the limitations of particular approaches (Easterby-Smith et al., 2012, p. 17). Finally, understanding philosophical issues can help researchers identify or even create designs which may be outside their past experiences according to possible constraints of distinct knowledge or subjects (Easterby-Smith et al., 2012, p. 17).

3.2.1. Epistemological assumption

Epistemology concerns the questions of what is or should be regarded as acceptable knowledge (Bryman and Bell, 2003, p. 13). One of the key points in epistemology is the consideration of whether the social world can (and should) be explored based on the same principles and procedures of social sciences. The epistemological stance that affirms this consideration is associated with positivism (Bryman and Bell, 2003, p. 13). Positivism departs with the belief that reality is independent of individuals and knowledge derives from information that can be verified scientifically (Collis and Hussey, 2014, p. 44). Positivists apply logical reasoning in a way that every rationale is justified by logical or mathematical proof, rather than interpreting phenomena based on intuition and subjectivity. Further, researchers that adopt a positivist stance assume that the act of investigation of the reality has no effect on that reality (Creswell, 2014, cited in Collis and Hussey, 2014, p. 44). Alternatively to positivism, the emergence of another philosophy that would better suit the dynamics of evolving social phenomena brought an different view of reality, known as interpretivism. Interpretivism approaches reality as highly subjective and shaped by individuals’ perceptions. These are bound to interpretation, meaning that the exploration of social phenomena cannot easily be quantified and objectively tested (Collis and Hussey, 2014, p. 45).

We believe our research study must conform with an interpretivist standpoint as our scientific paradigm. Capturing a complex phenomenon such as the characteristics of stakeholder relationships and engagement in SMEs cannot be simply identified by a measure of numerical values. As we cover the ethical rationale behind firms’ behaviours, we believe SMEs’ understanding about CSR and stakeholder engagement is not static and can be influenced by the individuals. Also, managers from SMEs might view employee engagement differently and their perceptions can be interpreted in several ways. As Saunders et al. (2007, p. 107) argue, businesses’ situations are complex and unique at the same time, and therefore they require researchers to capture the complexity of social interactions.
3.2.2. Ontological assumption

Ontology is regarded to the researchers’ views about the nature of the reality (Collis & Hussey, 2014, p. 47). A central issue to ontology is the consideration of whether social entities can (and should be) considered objective and that these entities either have a reality external to social actors or this reality is socially constructed, evolving from the perceptions and actions of social actors (Bryman & Bell, 2003, p. 19). The ontological assumption can be divided into two distinct positions: objectivism and constructivism. Objectivism as an ontological position implies that social reality is external to the researchers’ reach, where there is only one view of reality (Collis & Hussey, 2014, p. 47). Objectivists see social phenomena as independent from social actors and organizations are viewed as a tangible object in which both organization and culture categories are pre-given (Bryman & Bell, 2003, p. 20). As an example, objectivists would view structural managerial aspects as similar in a diverse set of contexts (Saunders et al., 2009, p. 110). As an opposite view, there is constructivism, also known as constructionism. Constructivism departs with the belief that social phenomena is in a constant state of revision due to the evolving social interactions between entities (Saunders et al., 2009, p. 111). Constructivism approaches social reality as highly subjective and propense to development, due to the continuous social interactions among social actors. Thus, it invites researchers to challenge the view that conventional knowledge is based upon objective, unbiased observation of the world (Burr, 1995, p. 3). Therefore, there are many realities for constructivists and the notion of that reality is subjective (Collis & Hussey, 2014, p. 47) is present in their assumptions.

For our study, we believe the best ontological position is constructivism. When exploring SMEs’ behaviours and disposition towards employee engagement with CSR strategy-making, individuals in these firms might see and experience their realities differently and not uniform in a variety of contexts. Also, as the dynamics of businesses evolve, the strategies firms develop to address these changes evolve as well. Furthermore, as stakeholders might gain or lose attributes and their influences to firms are not static over time, their consideration on the decision-making is propense to change too. Since we believe that individuals are actively involved in the constructions of realities, the reality of employee engagement in CSR strategy-making in the context of SMEs is constantly evolving and we should consider, therefore, the social interactions applied to this context.

3.3. Research Approach

In the present study, we introduce several theories to contextualize the topics we aim to investigate. The chosen approach in which we build upon this study is an important consideration, as it provides the link between the theories and the research (Saunders et al., 2007, p. 119). There are two research approaches which can sustain this connection between theory and research: deductive and inductive. The deductive approach is predominantly present in natural sciences and is concerned with the development of a theory which is subject to tests (Bryman & Bell, 2003, p. 9). The authors explain that, with the deductive approach, the research is built upon what is known about the subject and involves the formulation of hypothesis that will be subjected to empirical scrutiny. This specific approach is guided in a way that allows facts to be measured in quantitative ways (Saunders et al., 2007, p. 118) and that “particular instances are deduced from general inferences” (Collis & Hussey, 2014, p. 7). In the inductive approach, on the other hand, theory would follow data. That means that researchers can acquire knowledge by analysing patterns from observations and uncover other aspects of the phenomenon being
investigated. Also, the inductive approach is suitable for a deeper understanding of events in the context in which it is taking place (Saunders et al., 2007, p. 119) given that it moves from the specific to the general (Collis & Hussey, 2014, p. 47) and is usually associated with qualitative data gathering.

For this study, we have decided to adopt an inductive approach, given that we aim to draw conclusions on how employee engagement with CSR strategy-making happens in SMEs in a Swedish context. We do not aim to test any hypothesis, but rather contribute with a deeper understanding of the subject of the study in these firms’ context by exploring the meanings humans attach to events. Moreover, since we are not concerned to generalize the findings as this study will only cover SMEs in Umeå region, by choosing an inductive approach has permitted us to develop a more flexible research as the study progressed.

3.4. Research Design

The research design concerns the methods that should guide the planning and execution of a research. In this sense, both ontological and epistemological standpoints cannot be isolated from the issues concerned to the conduction of the research (Bryman & Bell, 2003, p. 21). Based on this premise, the research design will be influenced by the positions adopted in regards to the philosophical views of the research. The research design also should reflect the objectives raised from both the research question and the research purpose, as well as the methods of data collection and ethical issues (Saunders et al., 2009, p. 137). We justify our choice of research strategy based upon the considerations previously made.

3.4.1. Research Purpose

The research purpose reflects the type of conclusions the researchers can expect to have from the research being developed. Saunders et al., (2009, p. 139) argues that there are basically three types of research purpose: exploratory, descriptive and explanatory. These three streams of the research purpose are not fixed in time and can change as the development of the research progresses (Saunders et al., 2009, p. 139). Exploratory studies are those in which researchers ask questions aiming to shed a new light in a phenomenon (Saunders et al., 2009, p. 139). Therefore, if there is a need for further clarification of a specific phenomenon, an exploratory study is the most suitable. The main elements in conducting an exploratory research are: reviewing the literature, approaching experts in the subject of area for interviews and/or conducting focus groups interviews (Saunders et al., 2009, p. 140). One of the characteristics of exploratory research is the flexibility and adaptability during the course of the research, as data may emerge and new insights can be developed from it (Saunders et al., 2009, p. 139). Descriptive studies are those aiming to depict the accuracy of events, individuals’ profiles and situations (Saunders et al., 2009, p. 140). For descriptive studies, researchers should have a clear picture of the phenomenon prior to data collection. That means that there is already a well-established groundwork around the subject of investigation. Finally, explanatory studies are those that aim to establish relationships between variables (Saunders et al., 2009, p. 140). Explanatory studies are associated with quantitative methods and are less flexible in terms of adaptation to the data being researched.

Based the definitions of different research purposes, we have chosen to conduct an exploratory research. This is explained by that we, as researchers, want to gain a deeper
knowledge about the phenomenon of stakeholder engagement in CSR strategy-making in SMEs. Also, research about engagement in CSR strategy-making connected to one particular stakeholder group (employees) is scarce and more is needed for the understating of CSR formation in the context of SMEs (Jenkins, 2004; Lepoutre & Heene, 2006). We find exploratory research the most suitable option for our investigation, given that we are not concerned to establish relationship between variables (as in the explanatory studies), nor we aim to describe the phenomenon with an already existing solid knowledge about (as in the descriptive study). The chosen approach allowed us to gain important insights and serve as a basis for future studies.

3.4.2. Research Strategy

In order to formulate a research methodology that best suits the research, there is a necessity to recognize which research strategy will be employed in the study. The research strategy will mainly provide a general orientation and guideline for the conduction of the research (Bryman & Bell, 2003, p.25). There are mainly two streams of the research strategy: quantitative research and qualitative research. Quantitative research is concerned to the determination of cause and effect, prediction or descriptive about the distribution of some attribute among a population, whereas qualitative research is more concerned with the understanding of how individuals construct their worlds, and what meaning they attribute to their experiences (Lapan et al., 2012, p. 8). Many authors advocate for the distinction between quantitative and qualitative research. Some might argue that the difference between these two streams lies in the use of measurement and numerical data (i.e. as for quantitative studies). However, the basis for such distinct natures really is argued to be on the epistemological and ontological assumptions chosen for the conduction of the research (Bryman & Bell, 2003, p.25).

In the present study, we have decided to adopt a qualitative research strategy. Our choice goes in line with both our research philosophy stances and the chosen research approach. Qualitative research is characterized by the focus on words rather than quantification of data. Lapan et al., (2012, p. 3) draws upon important characteristics of qualitative research: it places more emphasis on the study of phenomena from the insiders’ perspective and is an approach that allows researchers to explore in greater detail the social, organizational characteristics as well as individuals’ behaviours and their meanings (Lapan et al., 2012, p. 69). Further, researchers adopting a qualitative research strategy immerse themselves in the phenomena and are not so concerned with generalizations (Lapan et al., 2012, p. 3). As qualitative research is transient and only understood within context, this particular type of research is said to be “particularistic” (Yin, 2011, p. 98). Below is an overview of some of the characteristics of qualitative research introduced by Tracy (2013, p. 5):

- Qualitative research strategy is rich and holistic;
- It provides an understanding of sustained processes;
- It is focused on lived experience, placed in its context;
- It interprets participant viewpoints and stories;
- Illustrates how a multitude of interpretations are possible;

Based upon the definitions of Tracy (2013), we also follow the recommendations of future research and associated methods proposed by Spence (2007, p. 542) where she states that “methods of research [in SMEs] are needed, which access the complex minitiae of small business life, favoring qualitative approaches”. Thus, qualitative research is the most suitable for this study due to our focus on gaining a better understanding of social reality.
as this is built with individuals actions and bond to interpretations (Bryman and Bell, 2003, p.25). By adopting a qualitative research study, we are better able to answer our research question as we can gain deeper insights from SMEs managers about their perceptions, beliefs and views of employee engagement in CSR strategy-making in their firms. These are subjective to interpretation and therefore could not be easily grasped through quantitative methods. As Creswell (2017, p. 4) states, research that adopts a qualitative path has a focus on individual meaning and is concerned with the importance of rendering the complexity of a situation. By adopting a qualitative research strategy, we can cover salient issues that can later be studied with more structured methods (Tracy, 2013, p. 5).

3.5. Literature Review

In order to gain further knowledge and obtain relevant theories that could support the investigation of our chosen topic, we have undertaken a literature review. A literature review is an important part of the research process for several reasons: (1) It assists in the identification of what scholars already have focused their research on, and the methodologies they have adopted; (2) It helps us as researchers to avoid possible pitfalls and errors from previous research; (3) It guides us to find suitable methodologies for the study; and (4) It helps on the identification of research gaps (Hart, 2001, p. 3).

Based on a substantial analysis of the existing body of research, we were able to critically assess what is already known about the phenomenon of stakeholder engagement and corporate social responsibility in SMEs. This helped us to narrow down the scope of this research, identify the research gaps, develop our research question, as well as helping on the selection of relevant theories applicable to our subject.

The sources used in this process were mainly retrieved from online databases, such as, for example, the Umeå University Library, Emerald Insight, Elsevier, Google Scholar, Wiley, EBSCO, Sage Journals, Science Direct as well as physical books from the Umeå University Library. Magazines such as The Economist and official reports from the European Union contributed to set a more solid basis of the concepts, clarify the definitions presented by this research and highlight the presence of the topics in the media. All sources were checked for quality purposes and appropriateness, which is expected for this type of study. In addition, authors which were cited in other articles led us also to search for the primary sources of information, given that the meaning of the primary author could have received a modified and biased interpretation from secondary sources.

In our search, we used particular keywords to ensure we would gather relevant and consistent sources for our study. The keywords used for our search were:

- stakeholder theory
- stakeholder management
- stakeholder engagement
- employee engagement
- corporate social responsibility
- CSR
- small and medium size enterprises
- SMEs
- CSR communication
- CSR strategy
4. Practical Method

In this chapter we describe our chosen method for data collection, interview structure and sampling strategy. Moreover, we present the analytical procedures we have undertaken with qualitative data. We also discuss the ethical issues and the truth criteria of the research study.

4.1. Qualitative Data Collection

In a qualitative research study, researchers often prefer a “loosely structure approach” to data collection, as it does not poses any constraints to understanding the world view of individuals being studied (Bryman & Bell, 2003, p. 298). Given that we opted to conduct an exploratory research study, we decided to keep a less structured approach in our data gathering process, as this would give us the advantage of flexibility prospects as we gain knowledge about the SMEs managers’ views and their perceptions about employee engagement with CSR strategy-making in their firms.

One of the prominent methods for collecting data among qualitative research studies is, according to Bryman & Bell (2003, p. 298) through interviews. Interviews provide an effective way to collecting material “that speaks to interpretative researchers’ interests and goals” (Magnusson & Marecek, 2015, p. 6). Interviews are methods that allow a richer and fuller set of information collection about how individuals see the world, and permit researchers to grasp other cues that are related to the phenomenon, such as the concerns individuals have and the senses of the realities they might express (Magnusson & Marecek, 2015, p. 6). Furthermore, qualitative interviews provide “opportunities for mutual discovery, understanding, reflection, and explanation” (Tracy, 2013, p. 132). For our research study to grasp the senses of reality of SMEs managers and their perceptions about the employee engagement with CSR strategy-making, we have chosen to conduct interviews.

4.1.1. Interview Structure

Different structures of the interview exist. They can vary from a range to totally unstructured, to semi-structured and structured (Bryman & Bell, 2003, p. 343). Structured interviews are those that use questionnaires and aimed to collect quantifiable data, given that the procedure of interviews must follow a strict guideline to avoid bias (Saunders et al., 2009, p. 320). Also, structured interviews do not permit researchers to freely explore a topic, but they are rather suitable for studies aiming to describe or explain a phenomenon (Blumberg et al., 2011, p. 265). As opposite, in unstructured interviews, researchers ask questions that allow the responders to freely respond, which is similar to an open conversation (Bryman & Bell, 2003, p. 343). In a semi-structured interview, a previously made interview guide will cover the main aspects and topics the interview aims to address to. That means that a list of questions is made prior to the collection of data. That, however, does not necessarily imply that questions should rigorously follow the interview guide or schedule. Questions might arise and the interviewer can build upon new insights and topics as the interview develops (Bryman & Bell, 2003, p. 343). Semi-structured and unstructured interviews are commonly applied in qualitative research, and are often called qualitative interviews (Blumberg et al., 2011, p. 265).
This research study has adopted a semi-structured interview as a form of data collection. We do not limit our scope of questions, as we expect that, depending on the course of the interview, we can easily adapt the order and/or the line of questioning. Our reasoning to support our choice is that we are granted flexibility, so we can reorder and even create questions around subjects that might arise throughout our discussion with SMEs’ managers, by, for instance, building follow-up questions. At the same time, with semi-structure interviews we conform with our exploratory research choice and ensure that the interview stays focused on the essential topics of the study (Sreejesh et al., 2014, p. 48). Also, since there are two of us undertaking the interview, the semi-structured interview is the most suitable way to collect qualitative data for this research study, as we as authors can ensure the comparability of the interviews when analysing the findings later on (Bryman & Bell, 2003, p. 346).

4.1.2. Interview Guide

In order for us to ensure we cover the essential aspects about our research during the data collection phase, we have developed an interview guide (See appendix 1). For the development of the interview guide, we initiated by thinking about which theories we presented in this research and how their interconnectedness could lead us to answer our research question: “How do Swedish SMEs engage employees in the CSR strategy-making from a management perspective?”.

As noted before, the theoretical chapter is structured based on our research question. It starts with the understanding of stakeholder theory and employees in SMEs, which provides a good frame of reference for introducing stakeholder engagement. Corporate social responsibility is presented latter, as to comprehend such phenomenon among SMEs. Nevertheless, both interview structure and empirical findings follow a different perspective. In accordance to our interview guide, we believed it would be better to initiate our interviews with the topic of CSR before we go deeper to the stakeholder section. This approach was decided because we believe that understanding CSR behaviours of firms would serve as a first step for comprehending the engagement part of the study. We also believe that this approach would make the interviews flow easier, from the companies’ knowledge and motivation to promote CSR, to CSR strategy-making, to then a more focused, narrowed approach about employees’ roles within firms and the realities of employee engagement in CSR strategy-making.

After aiming to grasp a contextual background of firms’ managers, we initiate our interview with the topic CSR. Our goal is to get a better knowledge about what these firms understand about CSR, if they believe it is an important activity for the firm and whether they currently have CSR activities, since it is argued that SMEs often find difficulties to conceptuallize CSR in their environments and often neglect CSR for their performance (Spence, 2007, p. 536). By asking SMEs’ managers about their views of CSR, we can also understand their motivations behind implementing CSR programmes, whether is driven and focused on social, economic or environmental motives.

Following, we approach CSR strategy-making in SMEs. We question whether if they see advantages and/or disadvantages of creating CSR strategies due to their firms’ characteristics. The goal behind these questions is to explore the potential barriers, as well as favoured positions of SMEs to develop CSR strategies, as it has been described in the literature that SMEs firms have ambiguous capabilities around social responsibility due
to their size and often limited resources to engage in other activities outside their core profit-seeking and business as usual.

Then, we turn to CSR communication to understand how SMEs communicate their socially responsible endeavours and agenda, if they do, since CSR communication in SMEs is argued to be limited to social media and disclosure of non-financial information to broader stakeholder groups is often inexistent. By asking the managers how stakeholders respond and perceive the CSR of the firm, we can indirectly identify the process these organizations employ to find such information, and whether they use this feedback/response/insights to revise and eventually improve their CSR (which is the core of stakeholder engagement, by firms establishing a dialogue with their stakeholders about strategic issues related to CSR).

Further, we turn the questions that are related to stakeholder and stakeholder engagement. We continue by covering the views of SMEs managers about their employees and whether they acknowledge them as (one of) the most important stakeholder groups for their business, as it has been highlighted in the literature that employees are key stakeholder groups for SMEs. Finally, we approach employee engagement with CSR strategy-making. Our goal is to discover whether if firms are aware of their employees concerns and if they believe it is important to engage employees in the social responsible decision-making, as well as the advantages and possible disadvantages of this engagement. We finalize the interview by identifying the potential activities and practices these organizations undertake to include employees in their corporate decisions of CSR.

4.1.3. Sampling Method
According to Collis and Hussey (2014, p. 131), a sample is defined as a subset of the population. The selection of a sample in qualitative research does differ than the sample of quantitative studies (Lapan et al., 2012, p. 84). In the later, researchers prefer to use random or systematic sampling strategies given that it enables them to generalize the results to a broader population (Lapan et al., 2012, p. 84). However, as qualitative research questions are less focused on generalizations and more concerned with the detailed, contextual behaviours, meanings and individuals’ interpretations, the sample chosen for qualitative studies should be carefully chosen. In order to make an accurate sampling, there are several sampling techniques which can be divided into two types: probable and non-probable sampling, also referred to as representative and judgemental sampling (Saunders et al., 2007, p. 207). Probability sampling is often connected to quantitative research, since the chances that the chosen sample will satisfy answering the research question are known, whereas with non-probability sample it is not possible to make the same assumptions, because the sample selection is based on researchers subjective judgement and there are no rules (Saunders et al., 2009, p. 233). For our research, we have decided to use a non-probability sample, given that we cannot make statistical generalization to the whole population about the findings of the phenomenon. Understanding the insights derived from data gathering, as well as the validity of such information will be more related to both the collection of the data and the skills set for analysis, rather than with the sample size (Saunders, 2009, p. 234).

Under the non-probable-sampling pillar, there are a variety of sample techniques to choose from: quota, purposive, snowball, self-selection and convenience sampling (Saunders et al., 2009, p. 235). We find that the most suitable sampling technique for our study is a mixture of purposive and snowball sampling. Purposive sampling is a sample
technique that involves the selection of “experts” within the phenomenon being studied, where the choice of the sample is based upon a criteria that will allow the researcher to answer the research question or information richness (Saunders et al., 2009, p. 235). Engaging in purposive sampling means that the researcher sees sampling as “a series of strategic choices about with whom, where, and how one does one’s research” (Given, 2008, p. 697) and the participants are chosen under the basis of the strength of their experience with the phenomenon (Collis & Hussey, 2014, p. 132). In addition to that, as our study progressed, we have undertaken the pilot interview. In this case, the respondent from the pilot interview has led us to contact a relevant new interviewee. We asked our first interviewee if he could indicate us some other companies that would fit in our study, which expanded our sample base. Here is where we have applied a snowball sampling. Snowball sampling is, according to Collis and Hussey (2014, p.132) a method used to contact groups of people from the network being studied. From the contact given by the company, we could more easily approach the new potential participant, which promptly agreed to join our study.

Due to our aim to understand SMEs behaviours towards CSR and their views of employee engagement with CSR strategy-making, we decided to focus our interviews with SMEs’ managers and CEOs. We are aware the potential asymmetries from the realities of employee engagement within these firms in case this study had explored the perspectives of employees around the same topic. However, since we believed managers were the most suitable to answer strategic questions regarding CSR and stakeholder engagement, we have kept the focus on the management views. Our sample was settled based on the following characteristics:

1) Firms size (over 10 employees and less than 250 employees; We eliminate the micro firms based on the assumption that they would be too dissimilar to SMEs);
2) Turnover of less than 50 million Euros or balance sheet total of less than 43 million Euros;
3) Geographical location and accessibility (companies situated in Umeå region);
4) Firms’ managers or CEOs (decision-makers, responsible for a final say about strategic decisions);

4.1.4. Pilot Study
In order for us to perform effective interviews with SMEs managers and ask them appropriate questions which will enable us to answer our proposed research question, we have decided to first undertake a pilot study. Bryman and Bell (2011, p. 262) advise that conducting a pilot study prior the actual data collection is always desirable. Not only does the pilot study hold the advantage of testing the interview questions on aspects of quality, flow and understanding, but it also confirms the appropriateness of the research instrument (Bryman & Bell, 2011, p. 262). Apart from the research method, a pilot study can provide us with the experience in our research questions, which can thus allow a better development and execution of an appropriate interview.

Our pilot interview was with a Swedish based company that has been almost 30 years in the market of communication. The company manufactures conference phones and video solutions to other business. Their products are designed and sold with the aim not only to help companies to save time and money for communication, but also to cut their environmental impact due to the need of travels and face-to-face meetings. The firm has participated in the Eco Design project from the Foundation for Swedish Industrial Design,
focusing on the improvement of product life cycle, from raw material to final disposal. As the interview progressed, we identified some flaws in our interview guide. Some questions were not easily understood by the interviewee and we assumed that we were taking a more complex approach to the topics we wanted to cover. This was essential for us to better develop our questions later on, since we became aware that it was necessary to speak SMEs’ language instead of bringing to light more academic principles. In all, we decided to use the pilot interview findings to the analysis too, because the respondent had interesting arguments that would add value for the comprehension of the phenomenon.

4.1.5. Sample overview

All interviews were conducted face to face, with the exception of the one with respondent (2) that, due to busy circumstances, preferred to have the interview through skype. Our data collection process started with a general overview of the company. From these questions, we were able to understand the background of the participant managers and their views of their firms. The following table 6 presents an overview of the selected companies that took part in this research study. The table includes the respondents’ position in the firm, the segment and the duration of the interview.

<table>
<thead>
<tr>
<th>Participant</th>
<th>Position in the company</th>
<th>Sector/Industry</th>
<th>Interview Duration</th>
<th>Interview Setting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent 1</td>
<td>CEO</td>
<td>Communication Solutions</td>
<td>56 minutes</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>Respondent 2</td>
<td>CEO</td>
<td>Security Systems</td>
<td>33 minutes</td>
<td>Skype</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>CEO</td>
<td>Mooring Systems</td>
<td>56 minutes</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>Respondent 4</td>
<td>Development Manager</td>
<td>Software Systems</td>
<td>43 minutes</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>Respondent 5</td>
<td>CEO</td>
<td>Forest Biotechnology Solutions</td>
<td>61 minutes</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>Respondent 6</td>
<td>Head of Business Operations</td>
<td>Catering Services</td>
<td>37 minutes</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>Respondent 7</td>
<td>CEO</td>
<td>Natural Capital Consulting</td>
<td>62 minutes</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>Esam</td>
<td>Senior Consultant</td>
<td>Sustainability Consultancy</td>
<td>64 minutes</td>
<td>Face-to-face</td>
</tr>
</tbody>
</table>

Table 6: Sample Overview

Respondent (1) is a communication solutions company located in Umeå and in Germany, France, UK, Hong Kong, India and the US. They provide conference phones and other eco-friendly communication solutions to customers worldwide. Founded in 1988, they currently are 42 employees, mostly engineers, and owned by a larger, American company. Their distribution is structured through large resellers, which means they do not have direct contact with their end-user.

Respondent (2) is an information logistics company that delivers security and integrated solutions into buildings and industries, in form of, for example, CCTV and burglary alarms, among others. The SME has 50 employees and situated in offices in Luleå, Piteå, Skellefteå, Lycksele, Umeå and Örnsköldsvik.

Respondent (3) is a company delivering mooring systems and computations in marina environments, providing product support and installations. Their product is a more
environment-friendly compared to traditional systems from competition. The company has been in the market for 35 years and counts with 19 employees with offices in Umeå, Sweden and Florida, USA. Their products and solutions are present in more than 1500 installations, of which most are outside of Sweden.

Respondent (4) is a software company that works with information structures to better organize and improve the quality of large and complex information for customers. Initially settled on a consultancy basis, the company now has a focus on product development of digital and processes automation. The firm dates back to year 2000 and counts with offices in Umeå, Gothenburg, Stockholm and Oslo, consisting of 35 employees.

Respondent (5) is a plant and forest biotechnology company that provides technologies and products aiming to improve the productivity and performance properties of plants and wood for forestry and other fiber related industries (Source: company’s website). The firm counts with 18 employees, of which a large part has Phd or master degree. The activities of Respondent (5) are heavily R&D orientated and pushing current Swedish regulations for adoption of GMO (genetically modified organisms).

Respondent (6) is a catering services company that owns five cafeterias around the Umeå region. In addition to the cafes, they provide external services for catering to events. They have been in operation since 1998 and count with 18 full-time employees.

Respondent (7) is a company that helps organizations and governmental entities with the assessment, valuation and risk analysis of the impact of natural capital and ecosystem services. The firm has offices in Umeå, Stockholm and Malmö and was founded in 2001. Most of the consultants (35) have competence related to ecology, engineering and strategy within natural capital and geographic information systems.

Finally, as we have gathered companies that could participate in this study, we were recommended a company – Esam - by one of our colleagues. For over 25 years, Esam has been a consultancy company specialized in services in the area of sustainable development with focus on consulting, education and management systems. The vast majority of Esam’s customers are SMEs and the firm has an in depth understanding of CSR and sustainable matters. They have offices in Umeå, Stockholm and Malmö and count with 25 employees. For them, we have therefore decided to create a separate set of questions (See Appendix 2). We believe that by interviewing a consultant at Esam enabled us to gain valuable knowledge about CSR strategy-making formation and stakeholder engagement in smaller firms in Sweden, as the firm works and advise firms about these and other sustainability issues on a daily basis.

The number of respondents were not decided from the start of the data collection process or when we established the research design. Since our study has an exploratory nature, we believe it is important to argue the reasons why we did not reach data saturation. In qualitative research, data saturation is reached when enough information is achieved in order to replicate the study (Fusch & Ness, 2015), or when the topics emerging from the data collection are homogeneous and there is sufficient data to proceed to the analysis. The saturation issue is most important for the grounded theory approach, methodology developed by Glaser and Strauss in the 60’s. Despite our study not being based on grounded theory, the issue of data saturation considered in this approach and that provides
the qualitative research community with general principles of data collection and analysis were not overlooked in this study. We are aware that we could have extended our sample by one or two more SMEs, where we would have gained new information with good insights about the phenomenon. Nevertheless, the insights we have obtained from the eight interviews were very rich and valuable for the analysis. We saw that, as we were conducting the data collection, answers from respondents were quite heterogeneous in most parts of the interviews. These differences arise due to factors such as size of company, industry/sector and business models they possess. We also believe that by conducting an expert interview has allowed us to keep the number of respondents to eight, since the expert company has a vast experience with SMEs within the Umeå region. Thus, due to these factors we have not reached data saturation. We believe that the information we have obtained has sufficiently allowed us to construct a rich analysis of the topic, especially because we undertook an exploratory research. Such insights from this study can then serve as a basis for further investigation.

4.2. Qualitative Data Analysis

4.2.1. Preparing Qualitative Data

All the interviews were recorded and transcribed right after the interview took place. This was an important part of the process of building this research study. We decided to follow this approach, so we could remember more precisely the setting of the interview and the most important aspects that occurred during the data collection phase. We sought to also write down non-verbal communication and eventual changes in the tone of the voice of the respondents, as these cues could improve our interpretation later on during the analysis section.

4.2.2. Analytical Procedure

According to Thorne (2000, cited in Nowell et al., 2017, p. 1), data analysis is the most complex phase of a qualitative research. Analysing qualitative data is argued to be a challenging task for several reasons: the first one is the fact that there is “no clear and universally accepted set of conventions for analysis”, as opposed to those studies that adopt a quantitative approach (Collis & Hussey, 2014, p. 154). Secondly, the data collection method can also incorporate the basis of analysis, which can make it difficult to establish the distinction methods by purpose (Collis & Hussey, 2014, p. 154). Finally, it can be a challenge to assess how the researcher has arrived at the findings, due to the ways the study has structured and summarized a vast amount of qualitative data.

An important aspect of analysing qualitative data is, according to Kvale (1996, cited in Saunders et al, 2009, p. 485) essentially an integrative process, where the analysis should begin simultaneously to the data collection and continue afterwards. Saunders et al., (2009, p. 492) highlight several ways to analyse qualitative data. For our study, we have decided to use an analytical procedure known as thematic analysis. The thematic analysis comprises a list of categories or codes which stand for the themes that are raised among the data collected. Within the thematic analysis, a method chosen to proceed with the analysis of qualitative data is the template analysis. The template analysis is a procedure is mainly concerned with the development of categories and attaching these to the units of data, offering therefore a more flexible route to analysis (Nowell et al., 2017, p. 2; Saunders et al, 2009, p. 506).
An important aspect to establish trustworthiness during the phases of the thematic analysis process is outlined by Nowell et al. (2017, p. 4). The first phase aims to ensure that we as researchers familiarize ourselves with the data. In this phase, the authors claim the importance of researchers to immerse themselves with the data, for a better familiarization of the depth and breadth of the content. The second phase is concerned with the initial production of codes, when the researchers have an idea about the content of data and what is interesting and potentially relevant to withdraw from it (Nowell et al., 2017, p. 5). The third phase is referred to the searching for themes, where themes are created by sorting and collating relevant coded data extracts. The fourth phase concerns the revision of themes. A revision of themes is important to secure the refinement and validity of themes, something that should be considered to determine whether they accurately reflect the meanings evident in the data set as a whole (Nowell et al., 2017, p. 9). During the fifth phase, what is of interest in each theme will be identified and determined, as this allows the readers to give a sense of what the theme is about. Finally, the last phase is concerned with the production of the report. Overall, the thematic analysis should provide a “concise, coherent, logical, nonrepetitive, and interesting account of the data within and across themes” (Nowell et al., 2017, p. 11).

Following the chosen approach to collect qualitative data, we started both our findings and analysis sections with the topic of CSR instead of stakeholder engagement, as opposite to the order from these theories in the theoretical background chapter. We have chosen this approach because we believed the interviews would run smoother if started with CSR and the transition to the topic of stakeholder (employees) would be easier to follow. We initiated our data analysis with certain themes related to the theoretical framework that were developed in the interview guide. These themes were: corporate social responsibility, SMEs & CSR strategy-making, CSR communication in SMEs, Employees’ roles and finally stakeholder engagement focused on employees. The initial topics were later adapted according to the topics that emerged in the data collection process, and the topics presented in the findings are split into subthemes. As Saunders et al. (2009, p. 490) claims, the formed template is subject to revision throughout the whole process of analysing interview transcripts. This led us to a continuous revision of codes, since coding is said to be an ongoing organic process (Nowell et al., 2017, p. 9). Our analysis started as soon as each interview was concluded. We structured our coding by bringing themes across the theoretical framework to the data analysis. The data has also been compared to the existing body of literature in the discussion part.

4.3. Ethical Considerations

In every research study, regardless of the field or subject, authors must be aware of the ethical aspects involved in the development of a research. Ethics is concerned to the moral values or principles that constitutes the basis of a code of conduct (Collis & Hussey, 2014, p. 30). Research ethics encompasses the manner in which a particular research is conducted, as well as the ways findings are reported (Collis & Hussey, 2014, p. 30). Ethics in research has gained greater attention and several aspects from the general rules of research ethics come to light, as, i.e. means to get access to data, availability of information and whose interests might be served (Eriksson & Kovalainen, 2016, p. 65). Numerous ethical principles have emerged in social sciences, whereby Diener and Grandall (1978, cited in Bryman, 2012, p. 135) has delineated four main areas in which a research study must conform with: (1) No harm should come to research participants; (2) Participants should agree to participate and know what the research is about (informed
(3) Participants’ privacy should not be invaded (anonymity - confidentiality); and (4) Participants should not be lied to or cheated (no deception) (Bryman, 2012, p. 135).

Regarding the first principle of ‘no harm should come to the participants’, we have prided to ensure both physical and psychological wellbeing of all interviewees. We sought to avoid that immoral, illegal or other reprehensible acts were encouraged from all parties not only on the actual field work phase, but also when we contacted the companies. The anticipation of any possible negative consequences that can originate from the study are important part of a professional integrity, regardless of discipline (Eriksson & Kovalainen, 2016, p. 73). In terms of the informed consent, we operated our data collection method under this principle. According to Eriksson & Kovalainen (2016, p. 72), informed consent is closely related to voluntary participation and involves the availability of information about the study as well as its basic procedures to the participants of the research. Information about the research topic and the according procedures were sent beforehand in both initial contact with companies and prior to the interviews, so that the respondent firms could be fully aware of the process and content of investigation.

Regarding to the aspect of privacy, anonymity and confidentiality, we assured the interviewees that the research data provided by them would be confidential and no sensitive topic would be touched upon during the data collection. We sought to protect their integrity, privacy and anonymity as the companies preferred so. We have kept the name of the company of our expert interview since the consultant allowed us to do so, while other companies where assigned numbers. Further, we assured that no deception took place in the settings of both contacting interviewees and in the process of interviews itself. We were very clear, honest and transparent about our research study and open in our communication throughout the whole process, so that we could have the trust from the participant SMEs. Furthermore, firms managers were granted a complete freedom to withdraw from the study at any time.

Finally, all interviews were recorded given the respondents’ permission. They were informed that the material collected would only serve to the thesis purpose and their information would not be used elsewhere for further investigations or purposes.

### 4.4. Truth Criteria

The issue of quality criteria of the results is an important aspect to take into consideration when undertaking any research. In a study, questions concerning whether the findings have been correctly understood are necessary (Saunders et al, 2009, p. 156). Reliability, validity, generalisability are critical concerns for quantitative researchers. Reliability is concerned with whether the results of a study are repeatable (Bryman & Bell, 2011, p. 41). In order to be reliable, a research study should produce the same result if performed again. Under an interpretivist paradigm, however, reliability is often connoted as having lesser importance if compared to the relevance of the same criteria under a positivist study (Collis & Hussey, 2014, p. 53). This is mainly due to fact that replicating the findings is a highly important criteria for quantitative studies, whereas in qualitative research, the findings and or measures are not taken as stable, given that they can be interpreted in several ways. The findings originated from our semi-structured interviews are not intended to be repeatable since they reflect the current reality of SMEs. Such realities are
related to the circumstances of the time they were collected, i.e. context and may be therefore subject to change. Moreover, the concept of validity is also argued to be controversial among qualitative research (Maxwell, 2013, p. 122). Validity is referred to the extent that a test measures the aim of the research, and whether the results reflect the phenomenon of the study (Collis & Hussey, 2014, p. 53). Ultimately, the concern with validity in qualitative research lies in the question of “whether the researcher sees what he or she thinks he sees or she sees”, in a way that there is evidence in collected data that clearly describes how the data were interpreted (Kirk & Miller, 1986, p. 21).

According to Bryman and Bell (2011, p. 395), Guba and Lincoln (1994) introduced an alternative set of criteria to evaluate the quality of qualitative research, based on trustworthiness and authenticity. Therefore, a research study that follows an interpretivism paradigm should focus on issues such as credibility, dependability, transferability and confirmability (Sinkovics et al., 2008, p. 689).

Credibility is concerned with the assurance that the research is conducted appropriately, based on the good practices and submitting the findings to the individuals of the social world (Bryman & Bell, 2011, p. 396). Credibility is defined by Guba and Lincoln (1989) as the match between the realities constructed by the respondents and those realities represented by the researchers and it is parallel to the internal validity (Bryman & Bell, 2011, p. 41). Triangulation – the use of different sources and data collection methods - can also be employed to increase credibility in a study (Collis & Hussey, 2014, p. 172). In our research, although we did not use the triangulation method, we sought to correctly identify and describe the subject of inquiry to conform that our research would follow the credibility aspect. Moreover, by using semi-structured interviews, we were able to better discuss the focal topics of the research, which enabled us to increase the credibility of our investigation.

Transferability encompasses the possibility of applying the research findings to other situations in a way that becomes sufficiently similar to permit generalizations (Collis & Hussey, 2014, p. 172). Since qualitative studies are not concerned with generalizations, the issue of transferability revolves towards the production of a thick description (Bryman & Bell, 2011, p. 398), or in other words, the richness of details. Furthermore, we do not aim to generalize the behaviours of SMEs towards stakeholder engagement in the CSR strategy-making. However, we believe the similar knowledge could also be applied to other SMEs context in other cities or countries and serve as a basis to provide further research with a better understanding about the phenomenon among smaller firms.

Dependability is focused on the process of developing a systematic, rigorous and well documented research study (Collis & Hussey, 2014, p. 172). This is important so that important topics can be easily accessed throughout the whole process, which facilitates the progress of the research. In our study, we kept the focus on dependability throughout the whole process. By adopting an “auditing” approach, we could secure all the steps of our investigation were kept easily accessible, as we could always revise certain information from interview transcripts to field work extra information and data analysis decisions. Also, by keeping our philosophical standpoints clearly in mind helped us during the phases of both collecting and analysing data.

Confirmability is related to whether the research process is fully described and the assessment of whether the findings easily flow from the data (Collis & Hussey, 2014, p.
Confirmability is argued to the researcher “acting in good faith” (Bryman & Bell, 2011, p. 398), where the researcher remains objectively. In our study, we prided to follow an appropriate flow, especially in regards to the findings. We have prided to keep our research as objective as possible, and the empirical findings were true to what the respondents said during the interviews.

Finally, authenticity is regarded with several aspects: fairness, ontological authenticity, educative authenticity, and catalytic authenticity (Bryman & Bell, 2011, p. 398). By fairness, there is the idea that the research fairly represents the distinct views among individuals of social settings. In our research, we treated different standpoints in a fair way. In regards to the ontological authenticity, our ontological standpoint allowed for a better understanding of the social situation. The experiences from the individuals and their relations with the world could thus become more informed and sophisticated. Educative authenticity is concerned with the better appreciation of others’ perspectives, which we prided to do throughout the entire data collection and analysis phase. And lastly, catalytic authenticity is referred to the impetus for change, or in other words the stimulation of action originated from the inquiry process. Such criteria is concerned with that the constructions found in the research study can be moved towards the realities of business context, which we believe we have achieved to a certain extent.
5. Empirical Findings

In this chapter, we introduce the findings from the qualitative data collection phase. We have divided the main findings by themes. The themes are: Understanding of CSR, the importance and motivation of being socially responsible, the reality of CSR in SMEs, limitations and opportunities for CSR in SMEs, CSR communication, identifying stakeholders, managing stakeholders and employee engagement in CSR decision-making: the reality among SMEs.

5.1. Understanding of Corporate Social Responsibility

We initiated our set of questions by asking what SMEs’ managers understand about corporate social responsibility. None of the respondents have specifically mentioned elements of CSR identified by Carroll (1991), which was expected, but their answers are closely related to the three elements of the Triple Bottom Line introduced by Elkington in 1994. Managers’ and CEO’s views on what constitutes CSR is mostly based on personal reflections of good will, their concern to protect and maintain the well-being of employees and how their business should minimize the impacts on the environment. Moreover, we noticed that the understanding about CSR among the respondents differs within SMEs industries. For instance, firms that have a direct impact on the environment due to their products or solutions tend to see CSR as efforts towards protecting nature. Communications and software systems firms, on the other hand, tend to see CSR as ways about how organizations can develop further employees. Overall, the general knowledge about CSR was quite informal, yet not so thought through.

Respondent (1) explained that his initial reflection about CSR started due to the necessity of changes in his firm’s manufacturing location. He related CSR to the working conditions and well-being of suppliers in manufacturing factories: “For us [CSR] is mostly the working conditions with suppliers, we have discussed that a lot… I think that has been CSR for us”. He mentioned that he reacted when he saw poor working conditions in a chosen factory in China, which made him reflect how the company would accept such conditions and what would be the possible (negative) effects for the firm in case they weren’t able to change it.

For respondent (2), CSR represents both how the firm takes responsibility for issues in society as well as how well they take care of the environment. He also stressed the need of being a moral company and how such behaviour could support the firm to grow and maintain its competitiveness on the long-run. For respondent (3), the environmental perspective was one of the focal points related to CSR for his firm, especially because the company’s offerings have a direct impact on the environment. In addition to that, respondent (3) also looked at CSR as the “social security, social responsibilities, ethics and moral” of his firm. Interestingly, throughout the interview, respondent (3) also stretched the importance of satisfying employees, given that they were a vital component of CSR, bringing thus the importance of the social bottom line of CSR to the firm.

For respondent (5), CSR is basically “what we can bring society”. He explains that he believes his firm is responsible taking part in what they do and adds: “[CSR] It is about doing something that is sustainable for society and for the environment – giving examples of solutions they develop to reduce pollution and nitrogen emission. He also touches upon
doing something in regard to the employees and owner: “What we do, that we do it in a responsible way. Something that I like [with the company] is that quite a number of employees say ‘when I retire, I do hope I could have contributed with something, to the environment’.”

Respondent (6) explained how he sees the transition of CSR over the decades and noted a drastic change from the past six years into the ways they work: “I am trying to understand this [pause for reflection]. It is something that has been going a lot lately, it was not like this maybe 16 years ago, we did not think about, but it developed really fast in the past 5 to 6 years”. His understanding about CSR goes beyond maintaining good employees’ working conditions, but also includes their social well-being outside work. In addition, his company’s responsibility is extended throughout the chain, as, for example, the origin of the suppliers. He added the effort is at times costly and the range of the firms’ efforts can be limited. However, these aspects do not impede the company’s capacity to address such issues: “It takes a lot to try to cover to get the much effect as possible, to try to do the best for everyone… of course sometimes it can be prices, it can be laws that do not let you to go further down, but the much I can do, I will always strive to do it”.

CSR for the respondent (7) is basically how they as a company can influence other companies to make the difference in biodiversity. For the interviewee, CSR is absolutely related to the environment, since their whole business model is based on addressing the challenges regarding loss of biodiversity and how this phenomenon can affect the companies that are dependent on the deliveries of the nature, implying that their mission and vision is based upon CSR: “Our aim is based on CSR”.

As a software company, respondent (4) claims that the environmental views of CSR from the firm is somewhat difficult to delineate. The respondent rather mentioned the social aspect of CSR, where he explained the sponsor policy the firm adopts, as well as the participation in conferences that stimulate the growth and knowledge of IT among employees. We interpret thus that the social aspect of CSR is more relevant for his company. Besides, he also believes that the firm should continue investing in solutions that allow people to work remotely, minimizing therefore the impact of travels to the environment.

Surprisingly, respondent (4) also explained that his impression that CSR, as a term, has been less debated in both business environment and media nowadays, if compared with its flourishing importance as seen a decade ago. He stated that CSR, albeit still important, has been “on the decline, being overwhelmed... and perhaps marginalized by other topics. Where CSR is a subset or a part set, because there's so many other topics fighting chunks of the CSR cake”. The respondent claims that CSR is a term that incorporates so much, which often makes it too wide to grasp and apply for the business environment. He rather touches upon equality, sustainability and environment, topics that CSR encompasses. However, his view is that these terms are being discussed separately, as unique entities, instead of discussing CSR as a whole: “I would say we were focusing on parts of it but not on the CSR as a whole. Having those different pieces to the CSR puzzle, we have some of the slots filled up, and there are some other ones which we don't feel that we influence whatsoever, and some of those which we have not focused on yet. CSR is a big, it's a big puzzle with many pieces”.

53
The vast majority of Esam’s customers are SMEs, including public sector, municipalities and administration in general. We asked whether the consultant believed these firms have a good understanding of CSR. She acknowledged an increasing interest in the topic among firms she works with, but pointed out that there are very few companies that approach Esam just for the CSR improvement purposes: “It is more like they don’t want to be involved in something bad, so they say ‘please tell us what we can do in the chain, how we make sure that none in the back or none in the front gets in trouble’... it is very unusual that they ask for CSR”. The consultant further explained the difficulties that SMEs often face in recognizing their role in the chain and how challenging it is to pinpoint where the boundary of their responsibility begins and ends. She stated the trend of becoming more aware of these issues, while companies still find it difficult to follow a socially responsible path without outsider and expert help: “I think they [the companies] are starting to open the eyes and care more... like how to travel, how to send goods... so we help showing the way with checklists, with structures... to help them being concerned, showing them the way... and educate them. Because if you don’t know how and why... it is easier for us from the outside to identify these issues... they have to keep up with the decisions”.

5.2. The importance and motivation of being socially responsible

When asked if the respondents believed it was important for their firms to be socially responsible, all interviewees acknowledged the importance with confidence and no hesitation. Motivations for being socially responsible however differed and were mainly driven by personal willingness to do the right thing to avoid not being compliant, as well as based upon environmental and economic considerations.

Respondent (1) reveals how crucial being socially responsible is to him personally and to sustain the firms’ competitiveness and reputation. Costs can originate in case the company is not compliant and does not supply the basic conditions to its workers: “Definitely! In the end of the day is... money, because if we don’t do that, it is going to hit us... but personally, does not feel good to be involved in something that you benefit from bad working conditions, it does not feel good, you don’t sleep well... because if you see in the headlines in the newspaper that we have been involved into something like that, it is not good for us”.

For respondent (3), being socially responsible is also very important for his business. Similarly, he touches upon the reputation aspect by saying “it’s the trademark that we are trying to show”, bringing into play the big role of economic benefits into incorporating responsible issues and sustainability into the firm. He also argues that making employees proud is an important aspect of why they do what they do. However, the respondent had difficulties arguing for the importance of social responsibility: “I don’t think we have it defined why is it important, we just want to be like that. We are an ok company to work for, and the best company to work with and try to make our customers happy so we can have a sustainable growth. Yeah, I never thought why. There you go, it’s not so defined”. Interestingly, he does touch upon a couple of aspects of sustainability and stakeholder management. Managing customer and employees’ needs properly is vital to sustain growth over time. When questioned about the motivation to be part of these, the respondent said: “Because we want to... It’s part of our business, it’s part of our
wanting to show that we’re doing good things where we can put it on the homepage. We want to be seen as a company that we’re doing good thing in the environment... it’s the trademark that we are trying to show for the world and our market where we are looking after the environment”. Projects related to CSR are therefore on ad hoc basis for respondent (3). The motivation to “do good” is, in addition, not only personal, but also aiming to improve the reputation and brand image.

Respondent (4) stated: “Absolutely!” and explained that, even though larger companies have greater effect on these endeavours, small and middle-sized companies are also connected into the global scheme and should, therefore, also exert a positive influence on society. The motivation to engage in CSR-related issues by the respondent (4) is mainly related to the social and the environment aspect: “Obviously taking responsibility in local society, but also looking for a sustainable environment for the future. Because if we don’t care for the future there won’t be any, simply”.

In addition to that, the personal motive of doing good was also emphasized among interviewees. Respondent (2) mentioned his personal motivation of engaging in CSR, as well as the role the firm’s culture play in doing the right thing: “It is a personal motivation and also an organizational value point for us”. He stressed the need of the firm to give back to society and the business dependence on it: “How we have responsibility in our morals and values, at least in most of them is that we should take care of our environment”.

Respondent (5) touches upon the relevance of these questions in business’ context nowadays and notes that earning money alone is not enough. Together with respondent (3), he expresses the need of being socially responsible to attract talent and to be a relevant and trustworthy company for both employees and customers. He further adds that his personal motivation to be socially responsible is related to the need to avoid contributing to poor working environments. Otherwise, the firm could not be proud of what they do.

Respondent (6) also expressed the value of acting socially responsible for both customers and employees, given that society in general expect these issues to be addressed. He mentioned the firms’ focus on buying fair trade coffee, and although choosing this path is more costly, he argues that it is worth in the end, because more value is created in the eyes of the consumer. In addition, he supports such suppliers because they also contribute to society, by, i.e building schools in their local areas and having better agreements with its workers. He concludes by saying that it is important to look at the other countries that are still developing and brings a personal motivation to do good, rather than only focusing on the economic benefits of such actions: “I think if everybody does a little bit, so then we can have it equal for everyone... so it is not just thinking about business money, because money at the end of the run, for me, it is not what you take when you die, so it is a goal, of course, it makes your life a little bit easier, but is not everything”.

Respondent (7) stated that being socially responsible is essential because the world is facing huge challenges on a sustainable good life: “You can’t, run a company in the future without having a notion about the motives of why you are on the planet with your company, what you are supposed to give to humanity. And you need to serve the planet and people on the planet”. He pointed out that being socially responsible should not be an extra within business: “You can cannot do business as usual, for example just deliver goods without considering the impacts and the needs for these goods”.
5.3. The reality of CSR in SMEs

Although some of the respondents stated that they do not explicitly perform any specific activities, programmes or initiatives in regards to CSR, we realized that all firms have CSR-related actions, and sometimes focus, and are often not aware of it. In spite of this reality, none of the participating companies had a structured, formalized CSR. As respondent (3) explained that they do not have a dedicated CSR strategy, nor a CSR person in charge, but “there are little pieces [of CSR] here and there”, implying in this sense a more broad approach to socially responsible matters in diverse aspects and activities of the firm.

What we have identified is that firms interviewed in this study often place less priority of CSR-related matters and dedicate this to their limited size. They argue that the daily work instead is given priority, and fewer resources are appointed to CSR. When asked if SMEs were currently performing some activities or programmes, respondent (3) explained some of the firms’ participation in different international projects, in regards to saving corals, protecting sensitive seabeds and supplying products to build bamboo huts. In addition, the company said they are focusing on extended product life cycle of its offerings and ensuring employee well-being.

For respondent (2), the firm’s responsibility is morally-driven, and organizational values were a constant point stressed throughout the interviewee’s answers: “We take big responsibility in how we handle toxics [...] that we do not engage in questionable activities or support some activities”. Moral choices are supported throughout the organization, especially when it comes to bribes.

Respondent (4) explained that an employee survey takes place every six months, so employees can share their views on company activities. CSR in this sense can be argued to be performed from the social aspect, and targeted internally – how to keep employees satisfied, healthy and in continuous development from an IT perspective. The company participates on the Umeå Development Conference, supporting with speakers and running regular lunch talks, where they promote lectures on different topics (i.e. meditation, IT trends, among others): “We invite local speakers from Umeå and other parts of Sweden to give lectures on different topics, challenging the audience to continue their development, not freeze their development”.

Respondent (5) explained about solutions they work with, such as GMO (Genetically Modified Organism), and how these methods and processes can make operations more efficient and environmental friendly, despite the complexity of such activities and yet scepticism in Sweden. CSR for respondent (5) is influencing processes and environmental impact of their customers, which also has the potential to lead change in forestry regulations in Sweden. Apart from this, the firm has a social program in collaboration with some suppliers, where they teach young girls about forestry and the industry to increase their interest about the subject and create a more equal workforce in the forestry industry.

Respondent (6) mainly places the firm’s responsibility on carefully choosing suppliers, employee well-being and recruitment, and minimizing food waste. In addition of buying fair trade coffee, the firm runs checks twice a year at each cafeteria to look after working
conditions. The firm has ongoing meetings with union representatives to discuss possible changes and employees’ needs. One interesting aspect of this company is that they pride to employ people with disabilities, with the purpose to increase their life quality by bringing them back to the work life. To better integrate new-comers into the Swedish society, the firm also seeks to employ foreigners and immigrants. The respondent touches upon an important part of his view about social responsibility: inclusion. Moreover, the firm has a partnership with an application ResQ Club with focus on minimizing food waste, where the overproduced food is sold for half price to consumers.

Respondent (7) started a corporate network in Sweden - Business and Biodiversity Sweden. He said that this network is important for companies to start realizing that they have a CSR, not only on human rights, climate, good affairs, but also on biodiversity. The respondent believes the biggest impact they can make on the environment is the way they can convince and help customers to develop and engage with CSR: “To give you an idea, we work with the largest power grid developer in Sweden, big mining companies, the largest wind power development firms... So the most effect we can do on corporate social responsibility is the way our clients act. The way we drink our coffee or sort our waste doesn't really matter compared to those big choices the clients make”. As for the company itself, they have an environmental policy said to be very rudimentary and believe they can make a greater difference together with their customers. Other than that, they do take care when evaluating the type of supplier of their daily coffee breaks.

5.4. Limitations and opportunities for CSR in SMEs

Participants in our study argued several elements related to the advantages and disadvantages of dedicating to CSR while being a SME. The following topics where mentioned during the interviews: size, lack of power and limited resources, structures and processes, and CSR culture and CSR knowledge.

Size
When asked about what the managers see as the disadvantages of being an SME when it comes to CSR, respondents generally expressed that size is an element that impact the firms’ capacity to engage in CSR activities. Most managers and CEOs agree that being larger would increase their power to impact the society. However, some participants do not see size as entirely negative element to be socially responsible.

Being small does not configure enough power and influence for respondent (1) to change something, i.e. in the manufacturing site. However, as the firm is part of a bigger company, it facilitates a higher degree of demand in terms of CSR. Respondent (2) pointed out: "being a larger company has an advantage, it is easier to formalize these issues and take responsibility on it". Similarly, respondent (3) claimed that one of the reasons they do not have a formalized CSR strategy is due to the fact that they are small: “We haven’t lifted CSR as an individual focus thing, maybe it is because of our... how big we are”. He points also to the need of prioritizing other urgent issues before CSR specifically. Respondent (7) has a similar thinking about size being a disadvantage and believes it would be much easier to gain access to management groups of larger companies if they were bigger.
Nevertheless, size is also viewed from a different perspective for respondents (2), (4), (5) and (6). Respondent (2) argues: “I do not think that the size is a reason to be more responsible, I think it is just a condition”. For respondent (4), although his company does not have formal strategies related to CSR, the manager believes that size does not have an implication for better or worse: “I would say that we don't have any strict strategies at the moment. But I do see that there are large advantages in developing them over time”. In fact, the respondent believes it is easier to develop and implement a CSR strategy when the firm is smaller, given that setting the ethics and norms for all employees is a simpler task: “It's easier to roll out a CSR strategy when you're smaller I would say. And then, as you grow people will adopt them much easier rather than roll it out when you're 100,000 employees and you have to sort of roll it out everywhere. It's much more labour intense”.

In the same line, respondent (5) claimed that being small does not necessarily makes a company lack behind to address certain issues, as long as the firm holds true to its intentions. He adds: “Of course to what extent you can do it as a function of how big you are. Sometimes it can be good being small. When you are small, perhaps the footprint is not that big, but still, you can always do something.”.

**Lack of Power and Limited Resources**

Another aspect pointed out by respondents is related to the firms’ limited resources. Respondents (1), (3) and (6) relate fewer resources (human and financial) to challenges in engaging in more robust CSR initiatives.

For example, respondent (1) explains that lack of power to influence and promote change in the chain can be a hinder, whereas respondent (6) reflected for a while before answering and mentioned that, as an SME, it is possible to do a lot and exert a quite big influence locally. Controlling what the companies in the supply chain are doing is somewhat less complex in an SME setting: “When you are small and have fewer providers, I think it is easier to follow up on them as well”. He brings the trust aspect as crucial in CSR, pointing therefore to the need of all players in the chain to be involved in doing something good. Nevertheless, respondent (6) also brought the constraints of limited monetary resources: “When you have a lot of budget, you use a lot of money, you can probably donate money, which we can not, but we do try to do small things locally and try to influence like this”.

Respondent (3) rather points out that it can be more difficult to get financing. In addition, the number of employees constitute limitations and challenges. For example, when one employee gets sick, the firm can quickly lose 10% of the workforce.

An interesting response from respondent (5) is the identification that lack of resources can also be a positive aspect for smaller firms. He refers to a saying “thinking out beats money”, implying that, if money is scarce, one needs to walk the “extra mile” and do things more efficiently and cost effective: “If you put a lot of money on something, it does not mean that you start doing good things”.

**Structures & Processes**

Besides size and resources, lack of systematic procedures has been identified as an issue for some SMEs to engage in CSR (respondents 2 and 3). Respondent (2) noted that, in larger settings, the firm’s structure facilitates CSR, as bigger organizations have more methodical and systematic processes available. As the business grows, he acknowledged
the increasing necessity for the firm to start formalizing such socially responsible goals and objectives, since this has been a current theme of discussion in the firm.

Respondent (3) also pointed that the company is trying to make processes more systematic: “We’re trying to lift up [CSR] and making things more and more documented in our practices, strategies and processes, follow ups and quality systems and all of that”.

The consultant at Esam explained some of the ambiguous capabilities SMEs have in regards to CSR. She stated that SMEs often have faster decision-making, while at the same time these firms have a less degree of impact if compared to CSR deployed in larger firms. Esam argued that being small allows firms to increase the flexibility and ability to change to the environment: “In a way it is easier [for SMEs to engage in CSR], because you have the decision on your own, you can decide all the way... but I think the impact of bigger companies to show the way is important and perhaps easier to implement, because they are far away from their employees... but small companies can absolutely make a difference in the short time... they can decide and do things”. Following, respondent (3) also pointed to the benefits related to the easier adaptability and capacity of reaction to certain issues that might arise, implying that his company would be well equipped to adapt to socially responsible issues if required.

**CSR Culture and CSR Knowledge**

Other aspects that we have identified that are related to both advantages and disadvantages in SMEs to engage with CSR are: embed CSR culture and the often lack of knowledge of what CSR encompasses or how to properly act upon CSR.

Respondent (2) places culture as an important antecedent to foster a business that addresses CSR in the best possible way, where he claims that companies that have a strong culture built in morals and values can, regardless of size, produce the same effect as bigger organizations. Respondent (4) also places CSR culture as important and how he sees that shared values can easily be a reality in smaller firms, in comparison to larger companies.

Respondent (3) admits the potential lack of knowledge around CSR as a term and its implications for the business. He refers to it as one of the reasons why formal strategies related to CSR are not present in his company: “Or lack of understanding obviously, again, that could very much be it”.

### 5.5. CSR Communication

As mentioned in our theoretical background, one important element that firms should consider to promote effective stakeholder engagement is through communication. Not only communication is a vital aspect of CSR (Borglund et al., 2017, p. 319), both during the decision-making and during CSR, but we see it as an important ally to promote employee involvement in corporate decisions. In our interviews, we asked the respondents whether they knew what the concerns of their stakeholders are and which methods they used to find out about such concerns. By asking such questions, we could comprehend which communication tools and channels are being adopted in these firms. Understanding the communication means SMEs use to convey CSR could help us
comprehend if companies are engaging its employees also in strategic decisions about this topic.

Most of the companies interviewed in this study admitted they have informal and less structured communication systems in place. All of the interviewed companies do not develop sustainable reports (disclosure of non-financial information). What did surprise us was the fact that those SMEs with higher focus on environmental issues (such as respondent 3, 5 and 7) did not produced such reports either.

Only respondent (1) mentioned that such materials are prepared on an ad hoc basis for the purpose of expanding the customer basis, but such documents are created from the mother company. Internal communication related to CSR is basically top down and CSR discussions with employees have been non-existent.

Respondent (2) explained that the communication is not focused on CSR, but rather on product specification. In addition, the communication for this firm is basically towards customers. However, he pointed to the big transparency culture in the firm, where employees are encouraged to discuss ethics about possible new agreements.

In the same line, respondent (4) has standard communication channels for SMEs, such as home page, social media and newsletters. The main focus of the messages that the firm publishes in each channel differs. Newsletters are more focused on product UVPs and success stories of customers. CSR, however, has not been a core communication subject for the company. Stakeholder responses to the activities communicated by the firm come from three customer events each year. Such events are aimed to foster the interaction with suppliers, but mostly focused on product quality and product development. As for CSR, these events have not promoted a debate about the topic: “CSR-related topics has not been of any interest”.

Respondent (3) covers the topic of ‘environment’ as one of their core (external) values presented in printed ads and on their webpage, something that they refer to as the “[company name] way”. Built on four components a) quality; b) value for money; c) technology and d) environment, the messages are focused on product quality. In addition, featured projects aimed at preserving the seagrass on the seabeds were also focus point of the messages. Internally, town hall meetings, regular meetings and informal coffee talks are ways the company discuss CSR.

Respondent (5) explained that the communication about their operations has not been of much focus, and this was an explicit choice, especially because they work with GMO, something that has been quite unpopular in Sweden. However, more recently, the company has written some articles in journals and scientific papers aiming to spread the voice of what they are doing. Internally, the company is currently updating their employee handbook to reshape their ethics of conduct and openly discuss new projects with the employees.

Respondent (6) firm has a visible external communication throughout the cafeterias focusing on fair trade and minimizing food waste. Despite this, communication approaching employment about people with disabilities or foreigners is not on a focus of these messages, but rather discussed internally. Ethical guidelines and book of records are some of the means by which the company communicates internally. In addition, two
workshops are performed twice a year, where employees can gather and share questions or suggestions for improvements, on top of personal meetings for performance review.

Respondent (7) believes that the market is very much “aware” of the company’s activities, and he shows confidence that the firm already has a very high standard on responsibility and biodiversity (reputation), which makes them not to focus on external communication apart from the information displayed on the website and within their network. The respondent, however, did express the wish for more extensive brand building. Internally, the communication is shared among three business units, through meetings and open corridor discussions.

Externally, we could identify that general communication about elements of CSR among SMEs is of less priority, naturally depending on the company’s sector. Internally, many companies communicate through traditional, expected methods for an SME. Some examples that the managers stated are: using meetings, instant feedbacks and surveys and the majority of discussions take place informally, through corridor talk. It is important to note, however, that most of these activities are generally used to promote feedback and employee response in regards to more general issues of their daily work, not necessarily related to ideas and insights about corporate social responsibility among all firms.

5.6. Identifying stakeholders

When asked which stakeholders SMEs’ identified as the most important for their organizations, some companies had difficulties in recognizing the term stakeholder. After clarification, employees were mentioned in the majority of the companies, together with customers, suppliers, governments (law-makers) and in one case NGOs. Almost all respondents recognised employees as highly important.

Respondent (3) replied: “Obviously the main stakeholders are the people working here, and then obviously the customer. We try to look at it from that perspective”. This respondent also puts employees as an equally important stakeholder group with the owner and customer. Interestingly, he also pointed out the difficulties of prioritizing stakeholders, “it depends on how you look at it”, a perspective we could find among other respondents as well. Respondent (2) for example prioritized the same three stakeholder groups, but when asked which stakeholder group was the most influential, respondent (2) did not hesitate and answered: “Employees! Because we have an employee-driven company, we do see our employees as… we have a decision structure based on the overall conformity. If the employees want to change our values, then we will change, so it is an employee-driven company. They have the absolute biggest influence”.

For respondent (4) employees are also undoubtedly the most important stakeholders in the company: “Without our employees we are nothing. They are the ones making the heartbeat in this company. They are the knowledge and the resources that we try to continually develop and challenge, so that they want to stay”.

For respondent (5) “it starts and end with customer”, and therefore they are the most important stakeholder. According to respondent (5), customers also stand for the most influential stakeholder group. Nevertheless, employees are undoubtedly important for his firm. We see similarities between respondent (5) and (7) in terms of the identification of stakeholders’ importance, as well as the motivation of employees. Respondent (7) puts
customers as most important stakeholders, but simultaneously also mentioned that, without employees, they wouldn’t have a company. Interestingly, as also seen with respondent (5), both operating in an innovative market, legislators, were also a very important stakeholder given that their clients are dependent on permissions of governmental agencies. This makes that a governmental department needs to be brought on board with the new idea, or plan. Respondent (5) and (7) have in common that they both influence their customers’ activities. They both mention the drive for their employees to be intrinsic, and strongly driven by wanting to make a change for the future.

Respondent (6) also mentioned workers in the first place, followed by the customers and governments, given that the latter are law-makers that can influence the firms’ activities. Interestingly, the respondent was the only interview that also pointed to the competitors as necessary stakeholders to take into consideration. He stated that it is important to look at other companies to see what they are doing, their ways of working, and because such information can improve their own business.

As the only one in our respondent group, respondent (1) rather identified its suppliers as the most important stakeholder group, consequently focusing its CSR attention on the supply chain. That is where the firm “can make a difference”, respondent (1) said. “If you compare these two things, the supply chain and the delivery chain I think we, by doing the wrong choices in the supply chain I can effect a lot of people in the wrong way. But in the delivery chain, no... not that much”. The biggest difference the firm can make is in the supply chain, where he argues that the firm can take greater responsibility.

5.7. Managing stakeholders

Managing stakeholders is concerned with the extent to which managers have the ability to understand, interpret and acknowledge stakeholders wishes, expectations and needs, and how well the firm balance these expectations in the decision-making to nurture positive stakeholder relationships.

From the interviewed SMEs, most managers claimed they have a good understanding of their stakeholders’ concerns and expectations. Without such understanding, managers believe it is hard to satisfy all parties. Focused on employees, respondents (3), (5), (6) and (7) mentioned what the being aware of employees’ thoughts was an important condition for the firm and necessary for sustaining a positive relationship with this stakeholder group. For both respondents (5) and (7), the knowledge about employees’ concerns about doing something they are proud of does contribute to the understanding of this particular stakeholder group. Respondent (3) and (6) however were more focused on knowing employees’ concerns towards a pleasant work experience. We believe the difference is most likely related to the nature of the company’s activities as well as the level of education among the employees.

Throughout the literature, we have also seen that management of stakeholders is often a difficult task. These groups have often competing, conflicting interests and needs, which brings challenges for firms when trying to adequately address each stakeholder expectation in the corporate decision-making and places firms in a position to evaluate the trade-offs when decisions are made, as Andriof et al. (2002, p. 53) suggested.
Respondent (3) also stressed the challenge of sustaining good relationships with its stakeholders and its implications for firms’ actions: “Well, without the employees obviously nothing will work, you can't do it by yourself. But it depends on how you look at it. Without customers obviously, there's no employees either. So they are kind of important as well. That's very hard to differentiate stakeholders. I mean the owners are also kind of important if I didn't want to do this and you want to risk any money I wouldn't have a company if I wouldn't be insane enough. I normally say that's also an important stakeholder in some of the phases, like the recession from 2009 until a couple of years ago. I had to support the company to be able to, you know, pay salaries. So it's different and it's really hard to prioritize between stakeholders”.

Respondent (6) also mentions the difficulties in balancing stakeholders’ interests: “Well, of course as the manager of the company I need to... the pressure is for both sides, because I need to attend my workers and at the same time satisfy the owners. To have like a balance in between... sometimes you have to pride the workers, because if you have a happy worker, you probably have them for longer, and that usually brings some value because it costs a lot to introduce new ones”.

5.8. Stakeholder Engagement in the CSR- decision-making

Advantages and disadvantages of engaging employees in CSR strategy-making

When asked about whether the respondent (1) sees as beneficial to engage employees, he said: “Of course, it is. It is a no brainer question, if you want to have an operation where people understand why they are doing stuff, you need to get them engaged”. Although explaining the advantages of engaging employees, the interviewee also noted the cost element of this process: “Of course, but you need to have balance it with the cost the time, and the cost. Because then you can put that perspective on all the different issues in the company and then you end up by just sitting and discussing stuff and not doing anything...”. For respondent (1), it really depends to what extent is valid to engage all employees on an ongoing discussion: “You spend hours on it, if you are 40 people you are not allowed to spend that much time on that, because it is money in the end of the day. So, it is more of getting them to understand why we are doing it, and this is our strategy”. Given their size and fewer human resources, the interviewer confirms the biggest disadvantage of engagement is a resource constraint. An interesting thought from the respondent was: “For me it’s more important to understand the strategy, instead of being part of developing it.” For this firm, one can argue that the management only seeks employee support on corporate decisions, since employees are not involved nor engaged in the decision-making of such issues.

Respondent (2) said that engaging employees is an important aspect, not only related to CSR, but in “in all decision-making” otherwise the firm risks making the wrong decisions and aiming the wrong goals. The interviewee does not directly see a disadvantage of engaging employees with decision-making of CSR, but noted that it depends on the employee’s attitudes or behaviours throughout the process and whether if he or she conforms with the values of the firm and have a valid claim: “If someone does not conform to our values it is more of an issue... Can we correct that behaviour, or attitude? Or do we need to change?” - change in this sense the employee. From the respondent’s answer,
one could interpret that stakeholder engagement has to be balanced enough so the firm does not lose control over the decisions or lead to unsatisfactory results.

For respondent (3) it is unquestionable the advantages of engaging the employees in the decision-making. Not only focused on CSR alone, but the respondent argues that, whenever there is an important decision to be made, the management tries to involve the employees as much as they can. He relates it to the “Swedish mentality to do it”, implying here that everyone has to be part of the decisions. He argues that it is obviously good to listen to the input of those being affected by decisions, because if the firm does not, then decisions might have to be revised with additional insights, which, in his view, is not optimal and costly. From the town hall or weekly meetings, it is often the case that unanimous decisions are made, otherwise then it is up to top management to have the final say. Respondent (3) also argues that disadvantages of engaging employees also falls under the employees’ understanding (or lack of understanding) about the “big picture”, or, in other words, the total business. He mentions that trust is an important characteristic to build the environment where effective stakeholder engagement takes place.

Respondent (4) believes their employees are involved in the decisions from the firm. Regarding the advantages, he stated: “Anywhere you go or anywhere I’ve been, when you have engaged employees the performance are always much better. If they feel that they can make a difference, they will also go wholehearted into those challenges”. Respondent (4) pointed to the need of a balance within employee engagement in the decision-making of CSR and noted that such discussions should not take over the firm, as this could bring economic drawbacks: ‘CSR are focused questions, or CSR questions that are not focused on things that are beneficial for the company. Obviously, I mean all CSR things or questions are beneficial for a company but that doesn’t add to our profit in the end of the day. If everybody would just go out doing things for society, we would disappear as a company. So, there needs to be a balance”.

Respondent (5) sees both advantages and disadvantages in engaging employees. Being responsible and involving employees in such matters, he argues, “can never be problematic”. For him, engagement means fostering the knowledge they commonly possess in the company. However, he also points to the frustration and potential “friction” among employees when they see that they can do more than they do, but the available budget is constraining the firms’ full potential of this engagement.

Respondent (6) claims that it is both advantageous and disadvantageous to engage employees in such discussions. On the one side, the firm can stand for a company that promotes the freedom for employees to bring their ideas and thoughts, something that ultimately can increase the brand image for potential new employees. On the other hand, the respondent argues that it is important to look at the specific employee and evaluate what their claims are and whether the suggestions are feasible and in accordance to the firm’s values.

Respondent (7) says that it is absolutely vital for them to engage employees, especially because they have such high expectations in terms of taking care of the environment. Moreover, the firm faces often challenges to recruit new talent, which places the importance of engaging them and making them aware of their roles for change even greater for the company. We noted that his approach is very dependent on the business that they are in. In order to be successful and give the right advice, they have to investigate
the needs of the several stakeholders related to a project. They engage accordingly various stakeholders of their projects, like the government, NGO’s and local communities to establish the impact of a customer’s project on the environment. Apart from that, they have to convince legislators for permissions, which is easier with the support of NGO’s and local communities. So, for respondent (7) the advantage of engagement is really the support that they generate to complete their projects. We interpret respondent (7)’s view of the employee engagement not as advantages or disadvantages, but as a necessity, because stakeholder engagement is purely their business model. As for the employees, they are extremely involved in such decisions.

When we questioned Esam about what is the company’s understanding about stakeholder engagement, the consultant replied that this is not an area of discussion in her work, nor a topic brought up with the SMEs. This position intrigued us, because we see the importance of stakeholder engagement to promote organizational change and learning, and especially because her company focus on such changes among other firms. After a while, she acknowledged the importance to look at it “Of course, if you have a company that has stakeholders and they don’t know and don’t care, this is going to affect the firm […] so we can see how we can use the influence. That’s about credibility. If you say you are sustainable company and the stakeholders don’t know or care… if they only care about economical results...”. Implying then the importance of including a stakeholder perspective on the decision-making. She concludes with a reflection: “I think that I should ask them [stakeholders] in our annual meeting, do you know about what we are doing? And perhaps have a separate presentation about it”.

5.9. Employee engagement in CSR strategy-making: The reality among SMEs

What we mainly interpreted from the interviews is that many of the participating SMEs in this research do pride to receive feedback from its employees in order to make the right business decisions, knowing the firm would be supported by employees after the decision is made. Everyone must be on board, they say. This indicates that companies want the support of employees in the decisions that they make, and believe decisions aren’t viable if they’re not carried by employee agreement. However, the reality of employee engagement in the CSR strategy-making among firms is not homogeneous, and it is basically differentiated by the degree of engagement and the communication mechanism these firms deploy. Interestingly, most participants found to have been getting very little, or in their opinion too little, feedback or inputs in terms of their current or potential CSR initiatives. Nevertheless, six managers and CEOs have expressed that they would like to receive more response and insights around these matters to improve both society and the company in general.

For example, respondent (1) found his employees, largely composed by engineers, tend to rather focus on the technicalities of the product and do not express much attention nor care about social responsibility and environmental concerns. Much of the given feedback is related to the companies’ daily activities. Respondent (1) believes it is more important to have CSR strategies to focus on new talent recruitment and externally, so that the core values of the firm can be conveyed, instead of involving everyone to discuss this. He adds: “I don’t really see the advantages of having them involved in that [referring to the engagement decision-making of CSR]. Because if you have a certain discussion, that you
want to discuss with the staff, then I have a lot of stuff before you come down to the CSR work. Of course, if you just have that issue, yeah... everyone should get involved and everyone should understand that you should discuss, but then I have ten different other stuff that I want to do first to get the business running, because that is the highest priority”. The respondents’ feeling is that employee engagement in the decision-making of CSR issues are somewhat difficult to incorporate in his firm. This is due to two reasons: (1) CSR strategies are formed by the owner, bigger company; and (2) even if they were in charge of the decisions, they would have not settled employee engagement with CSR strategy-making as a priority. Analysing respondent (1) in terms of communication and from a perspective of the gradual path of stakeholder engagement framework, we can identify that this firm is mostly located on the second stage of the framework – stakeholder management – especially because the firm does not promote an ongoing dialogue with employees in terms of building the strategy of CSR. Rather, the firm tends to present traits of the stakeholder information strategy from Morsing & Schultz (2006), where companies just aim to inform about the decisions, aiming to receive support from its stakeholders (hereafter employees). Here, we identify very little to no employee engagement in the CSR decision-making. We have also seen that, for firm (1), the company is more leaning towards the control model of Sloan (2009, p. 37), because there is an arm’s-length engagement, where employees are involved to a certain extent in the decisions (hereafter referred to product development) and they should conform with the strategic decisions of CSR made by top management.

Respondent (2) admits that his firm tends to seek response and support for its initiatives, but mainly from customers. In regards to CSR: “We do have some feedback where we do follow up on our customers, that’s good, but it is more in the quality aspect. we do not have any feedback related to how they perceive our CSR directly... I don’t know, it would be positive, we have been wondering about how important it is for our customers to have for example environmentally friendly products...”. However, from the aspect of transparency previously mentioned by the manager, we could see that the firm actively promotes an environment to receive the response and inputs from its employees as well, despite this not being argued from the CEO. One example is the ongoing discussions among the staff and the management in regards to ethical issues, where customers that implicitly ask for bribes come into play. In fact, what we interpret here is that the firm displays some aspects of employee engagement with the decision-making of socially responsible issues, because employees share their views on whether the company should pursue or not activities with some clients. In terms of the firm identification within the stakeholder engagement in CSR strategy-making framework, we believe this firm exerts strategic conversations (Miles et al., 2006) with its employees to better decide upon new customers and discuss ethical issues pertinent to new contracts.

Regarding respondent (3), we see that this firm has a high level of employee engagement. Apart from the acknowledgement of employees’ importance and listening to their concerns, this company plans the so-called ‘town hall’ meetings, provides ways for employees to give anonymous feedback trough a machine where they can review their working day, as well as through anonymous notes on the bathroom. Although some decisions are still made by the management team, the respondent says; “sometimes we take other decisions in groups”. From our understanding, the firm of respondent (3) goes in line with the conclusion of Elkington (1994, p. 144), where the author says that stakeholder engagement initiatives must be genuinely interactive if firms are to succeed. From the perspective of our framework, our interpretation is that this company deploys a
two-way communication with its employees, the so-called involvement strategy. The firm prides to implement an integrative perspective of CSR and employees are constantly given room to express their views and opinions about corporate decisions, and these opinions have an influence in the firms’ final say.

In the organisation of respondent (4), every employee working for longer than two years becomes a co-owner of the company. This makes employees owners as well. We see that, not necessarily related to the co-ownership, employees in this organisation have a fair amount of power to make decisions. Subjects that are important to them are funded by the company, for example speaking at certain conferences or even developing a mobile app in an area that the company usually isn’t active in. Employees are supported in making their own decisions and to bring new ideas. In the organisation of respondent (4), we see many characteristics of the strategic conversations proposed by Miles et al., (2006, p. 202), where it is clear the integration of stakeholder’s preferences and needs into the organization’s management system in order to enhance organizational performance.

Discussions about “what should we do” as a company are central for the firm of respondent (5). These reflections, argues the interviewee, bring out what the employees believe is important to support. For the respondent, it is unimaginable to force employees to do something that they do not agree with. In addition, the way that respondent (5)’s firm handles how they develop solutions for clients is viewed as a way of engaging employees. Because the manager sees their own firm as a “brain company”, gathering employees to have brainstorming sessions for sustainable solutions are a constant activity within the firm. Handling customers’ requests, as well as internal initiatives with employee participation is seen by the respondent as “an obligation”, due to the amount of high competence within the employee body, something that can bring valuable sources of intelligence and positive outcomes. Such approach allows employees to influence what kind of solutions they offer to customers, eventually looking for the most efficient and environmentally friendly solution. Again, for respondent (5), we have identified that this SME displays a high degree of employee engagement with CSR strategy-making. Our interpretation is that the company really prides to engage its employees in the CSR strategy-making and exerts a high level of strategic conversations to further guide corporate activities in terms of CSR. The tactic knowledge-sharing between employees and the firm, as well as the transformation of this tactic knowledge into explicit knowledge are used to rationalize and develop strategies that are more aligned with the firms’ capabilities and are better fitted with the organizational goals.

Respondent (6) mainly engages employees into discussions of working conditions. Twice a year they gather the whole staff to talk about how they feel, but also to gather suggestions for improvements. Later, individual talks are used to discuss those ideas in more detail, and to see if it is possible to carry them out. Ideas related to CSR or sustainability are being listened to, but the decisions are made by the management. We see therefore that, albeit the company displaying some characteristics of strategic conversations, respondent (6) firm is characterized by having a mix between a responsive and the involvement strategy (Morsing & Schultz, 2006), but more leaning towards the responsive strategy. Solving issues based on the input of employees is definitely important for the firm, but employees are not actively engaged in the decision-making process of CSR initiatives.
Respondent (7) had a different approach, largely due to the nature of their business. The projects that they engage with, or bid on, where determined by the three different business areas they assigned. There are the employees themselves that engage in an open discussion asking questions like "should we put a bid on that, aren’t they a very bad company?". This way, respondent (7) assured the business they are in line with employees’ expectations and excel in employee engagement in the decision-making. As for the means to promote such engagement, respondent (7) runs every week a short survey with five questions to its employees, aiming to find out how they are feeling about their work, if they have insights into the company’s’ direction and to receive feedback in general. Although such tools are regularly applied to follow up on employees’ satisfaction, these also serve as means to increase organizational learning. From the respondents’ answer, we could identify that employee engagement with CSR strategy-making is a reality within this firm. Rather than informing, persuading or gauging the employees (Trapp, 2014, p. 45), effectively engaging them in such discussions is a vital part of their daily operations. From these, we interpret that this SME really seeks to employ strategic conversations with its employees, because they can share knowledge and create a more integrative, knowledge-based decision-making. Moreover, this company does excel by deploying a two-way communication with employees around CSR issues.
6. Analysis and Discussion

In this part, we further explore the empirical findings and discuss them with the theories presented in the theoretical background chapter. Based on the analysis and discussion, we can gain a deeper understanding of the reality of both CSR and employee engagement with CSR strategy-making among SMEs.

6.1. CSR for SMEs

Understanding SMEs managers and CEO’s perceptions of corporate social responsibility is an important part of our study. Not only because this knowledge allowed us to shed light on the presented research gap of CSR among smaller firms, but also because it serves as a starting point to understand stakeholder engagement in CSR-related issues focused on employees.

Informal knowledge
From the interviews, we could see that most companies have an informal understanding of what CSR is or what the term consists of. In line with Spence (2007, p. 536) and the seven characteristics the author introduced to explain why CSR within SMEs must be distinctive than the same on large firms, we see that, among the respondents, there is a lack of codification of CSR. Some SMEs had difficulties recognizing the term CSR itself. Most of the participants in this study related CSR efforts to the well-being of the employees and the necessity of being a moral, ethical company that is aware of its impact on the environment. We have noted that, depending on the industry or sector, firms tend to place different weights on the elements of the Triple Bottom Line: social, economic and environmental aspects. When Elkington introduced the TPL in 1994, he claimed that firms (and the entire value chain) needed to simultaneously satisfy all three bottom lines, or responsibilities: (1) profitability, (2) social justice and (3) environmental quality. Four respondents, for example, unifiable in our research by being product and not service-driven, lean more towards social and economic responsibilities, whereas other firms are more concerned with social and environmental responsibilities. Nonetheless, all companies expressed somehow the interdependencies of these elements for the firm, and the necessity of dealing with at least two of these aspects in conjuncture to sustain the business on the long run. This confirms the changing priority and managerial logic argued by Elkington in 1994.

As expected, the elements of CSR introduced by Carroll in 1991 were not specifically mentioned by any manager or CEO. Nevertheless, we could see that companies base their notion about CSR on some of these elements. For example, the legal responsibilities of CSR could be seen as an important concern for respondents three respondents. They expressed the need to avoid being involved in bribes, to avoid clients that they do not want to be associated with and for paying taxes. In the same line of thought, respondents two other firms showed to be companies that are discussing with law-makers to change the regulations. Not necessarily implying that they want to be on the “wrong side” of the law, but rather on a proactive position to improve the existing regulations about biodiversity and forestry, something that they believe can significantly improve society.

Another point stressed by all respondents was the ethics and moral of their activities, something that must go beyond merely compliance. Such parameters can fit to the
understanding of the third pyramid block of Carroll’s CSR, also known as the ethical responsibilities of no harm to stakeholders. From the participating SMEs, the understanding of CSR is mainly concerned with the well-being of employees. Not only if they have appropriate conditions to work, but, for instance, respondent (6) also expressed the firms’ concern in regards to lifting the employees’ social life outside work.

In addition, a further interpretation can be related to the last building block of CSR, the philanthropic block. Carroll (1991) argues that the philanthropic responsibilities are extended beyond the ethical norms and are increasingly being expected by society. The philanthropic responsibilities are related to the willingness of firms to contribute resources (human, time and financial) to society, aiming to improve the community and quality of life. This aspect could be clearly identified among five respondents. Some examples that fall into the category of philanthropic activities are: projects to protect sea beds abroad, devoting speakers to events and conferences to promote employee development, projects for education of young children into forestry, inclusion of disabled people in the working life and customer education sessions to build the awareness of protecting biodiversity. Other firms have a higher focus on keeping the environment safe and protected from the business activities that they perform. A genuine willingness to reduce the travels for the employees is one of the most adopted ways companies see that they can contribute to being socially responsible.

**Implicit CSR**

We have identified that the SMEs interviewed in this research study have, although implicitly and often unaware, a CSR-related activity. Over time, these firms have generally prided to act in a moral, socially responsible way, and sought to make improvements in their business with this aim, albeit they have not really reflected upon this as corporate social responsibility in specific. Notwithstanding, our findings suggest that SMEs are not necessarily “fortress enterprises”, totally disconnected from the business environment and not proactively seeking social improvement, as supported by Lee et al. (2016, p. 91). In addition, Jenkins (2006, cited in Sen & Cowley, 2013, p. 418) has claimed that small businesses tend to perform worse in terms of business ethics, if compared to bigger organizations. Instead, what we could see is that most firms interviewed in this research have a genuine interest to promote greater well-being of its stakeholders and provide the most efficient and often eco-friendly products and services to its customers. Not only locally, but also abroad, these organizations are not completely passive when doing something good to achieve their goals, although their influence, impact resources and capabilities are often hindering such achievement.

**Weak recognition of CSR opportunities**

Our expert respondent, Esam, noted that it is rare that firms are fully aware of the possibilities that CSR can bring to the organization. This argument can be related to the fact the SMEs do not have a settled business case for CSR issues or they lack information and/or knowledge into recognizing opportunities within responsibility matters. The perspective presented by the consultant confirms arguments of Jenkins (2009, p. 24) and Lepoutre & Heene (2006, p. 268), where the authors explain why SMEs can at times be not aware to include CSR issues in its strategic goals. Based on our expert interview, as well as the hesitant answers from some respondents, we could also confirm the line of thought from Spence (2007, p. 536), in which the author identifies that CSR as a term is often not understandable enough for SMEs, and they often need external help to identify their full capabilities around such issues.
6.2. CSR drivers

**CSR for sustainable growth**
Overall, respondents showed their awareness about how critical being socially responsible is for a sustainable future, not only for the earth we live in, but also for the viability of company growth. Such appreciation goes in agreement with the logic of Crane and Matten (2010, p. 51), where authors pose that organizations that pride to make a positive influence on society can benefit from a more improved and competitive way of doing business.

When Esam explained the profile of SMEs they work with, she mentioned that CSR is becoming increasingly important among smaller firms. In line with that, most of the respondents in this study also acknowledged that issues around social responsibility are becoming more and more debated and expected by society, with the exception of one respondent, that saw CSR as a declining term in both media and business contexts. Nevertheless, this respondent rather pointed to specific terms that have been brought up as separate discussions which are also under the CSR scope, such as sustainability (the core of TPL) and equality (social aspect that we identify within the TPL, as well as ethical and philanthropic responsibilities of the CSR pyramid). Although these companies taking a more informal approach to CSR, they still believe they manage to do their best as a firm.

One of the main concerns of companies is naturally to stay compliant with the law and regulations. Companies believe that by doing that, they are already contributing and fulfilling their role towards society.

**Mixed motives for CSR**
As presented in the theoretical background chapter (see 2.2.2), SMEs might have three main motives, or, in other words, they can be guided by three driving forces to promote and integrate corporate social responsibility into their business. Such motives are explained by Vo et al. (2015) and they can be economic, social or environmental. These three elements stand for the main reasons of why SMEs tend to include organizational social responsibility into their business. Many scholars have attempted to understand the real motives smaller firms approach CSR, whether if the economic, social or environmental motive stands out the most. So far, as the literature review suggests, several authors have reached controversial findings. We believe that no generalised motive is applicable to all SMEs, because we understand that these motives might substantially differ according to context, for example culture, country, time, legislation and circumstances of where organizations operate.

If we look at the motivation of incorporating CSR within the business of the interviewed Swedish SMEs, we conclude that the motivation for the participating firms to engage in CSR is mixed (see table 7), and not specifically focused on one aspect of either economic, social or environmental motives. This mixed outcome is because we do not have at least two companies in each segment, nor we aim to generalize the findings. The findings clearly portrait that SMEs in Sweden often have a combination, a mix of motives and reasons to foster corporate social responsibility. For example, respondent (1) and (3) can be argued to fit into the category of SMEs that have the economic motivation for being socially responsible, given that behaving “badly” or immoral towards society could bring implications for both the reputation and image of the company, which is a cost SMEs cannot afford nor are willing to bear. Risk avoidance, therefore, is an important aspect these firms seek through CSR. These findings are in line with those of Vo et al. (2015),
where the authors claim that the concern for economic survival and viability (can also be interpreted here through staying compliant from a legal point of view of Carroll’s pyramid) are strong drivers for companies to do good, more than the personal motivation of addressing employee and societal issues. Such position could also confirm Lee et al. (2016, p. 91) theory about CSR and SMEs, where it is noted that CSR if often viewed as a risk management activity rather than a way of social improvement among smaller firms.

Nevertheless, respondents have also shown their concern of doing good because they believed it is the right thing to do, either through facilitating good working conditions or through the need for developing offerings that minimize the impact on the environment. The first condition could then be related to the SMEs’ willingness to stand ethically towards their employees, more than that the firm is purely focusing on economic benefits from such means. This, in turn, is also related to the arguments of Preuss and Perschke (2010), Lamberti and Noci (2012) and Lee et al. (2016), where the scholars point to the genuine willingness of maintaining strong, positive internal relationships and the intent to promote fair, improved conditions for their employees. This is therefore another driver for companies to be socially responsible. Other than that, the second condition concerned with the environmental motive, hereafter the proactive motive, was seen in some of the interviewed firms developing products and solutions that seek to minimize environmental impact, and trying to push legislation that go in line with the trend of green and clean practices.

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*Table 7: CSR drivers*

### 6.3. Informal strategy-making

The participating companies in this study do not possess any formalized strategies to address socially responsible issues. The informal approach SMEs give to CSR, often called “sunken” or “implicit CSR” can thus be interpreted as a reality for SMEs in this research, conforming with the conclusions of Hsu and Cheng (2012, cited in Lee et al., 2016, p. 92) and Perrini (2006). Thus, the CSR strategy-making process among the interviewed SMEs is argued to be informal, in line with Lee, Herold and Yu (2016). The reasons mentioned by the respondents that explain the lack of formalization of CSR strategies were mainly: size, resource constraints (human, time and monetary), lack of defined processes and structures that help formalizing such activity and the believed limited impact they can produce. These hinders discussed by the interviewees go in accordance with the findings from the study of Jenkins (2006), where it is identified that SMEs often face challenges for developing more specific plans and strategic objectives to be socially responsible due to the characteristics of these firms.
Size, CSR culture & Lack of Resources

For our surprise, size reveals to be both advantageous and a hinder to promote CSR among these companies interviewed. More than half of our respondents see size as being not necessarily a limitation, but rather a pure condition of the firm. Size is something that does not impede these organizations to be and/or aim to be socially responsible (here we refer to the total CSR, not only the social element of the TPL).

An embedded CSR culture, on the other hand, is an important factor for these companies to addresses CSR in the best manner, as mentioned by some interviewees. Without a culture that prompts socially responsible actions and the presence of strong norms and principles for acting ethically, CSR initiatives are domed to be unrealistic and not a priority for these companies.

Another element mentioned by three respondents as one impediment to devote more efforts towards CSR is related to resources (time, human and monetary). Companies often see that their budgets are not sufficient to dedicate resources to CSR. Also, the inexistence of dedicated person to look upon CSR issues might explain why firms prioritize the daily operations over CSR – there is no time, nor personnel, nor money available, and sacrificing profits is not an option. However, an interesting comment from respondent (5), made us reflect that having fewer resources often forces smaller firms to make the most optimal, cost-effective and creative decisions, also in terms of CSR. This could eventually turn into an advantage for SMEs.

Faster decision-making

When referring to the capacity of SMEs to quickly develop and implement CSR initiatives given the less bureaucratic constraints and smaller hierarchies, the consultant at Esam replied: “In a way it is easier [for SMEs to engage in CSR], because you have the decision on your own, you can decide all the way...”. This confirms the findings of Sweeney (2007, p. 520), where the author suggests that SMEs are closer to its stakeholders and can, with higher facility, be flexible and more adaptable to implement changes due to the circumstances. It also relates to the seven SMEs’ characteristics from Spence (2007, p. 536), where the author claims that these firms have greater flexibility and propensity to cooperate through social capital and informal relationships to foster CSR initiatives.

CSR without borders

Another interesting aspect we could note from the interviewees is that, in contrast to what the literature suggests and to our surprise, some SMEs does not only have a domestic focus in terms of CSR and weren’t only aiming their CSR efforts towards ‘the local community’. What we saw is that some SMEs are part of initiatives and activities on an international level, albeit indirectly. These initiatives are often characterized by giving a greater, positive impact to society, not delimited to northern Sweden where they mainly operate. An example comes from respondents (3) that supplies materials and products to build bamboo huts for a project in Madagascar, the development of GMO eucalyptus trees to be planted in Brazil for respondent (5), and the choice of purchasing fair trade coffee of respondent (6).

6.4. Informal CSR communication

In delivering the message about organisational CSR to stakeholders, CSR communication plays an essential role. Besides receiving information about CSR endeavours, employees
also stand in a position of informing and providing suggestions to the firm on important CSR issues. As expected and seen in the empirical findings SMEs have less structured, more informal, communications systems in place, both internally, as well as externally towards broad stakeholder groups. CSR external and internal communication within SMEs was argued to be “spontaneous and hesitant” by Lee et al., (2016, p. 93) and this could be confirmed by our findings. Remarkably is that we could note that often the internal communication related to CSR is more developed than the external communication. External communication is still most likely focused on the company’s product or service value propositions. The firms interviewed are therefore not always using their CSR to their advantage.

None of the companies we interviewed developed regular sustainable reports, with the exception of respondent (1) that creates such documents for ad hoc contract purposes. This brings an indication that our findings go in line with those arguments of Jenkins (2006, p. 249), where the author has identified that SMEs often have difficulties in measuring and quantifying non-financial information. We recommend SMEs to seek to improve their communication to broader stakeholder groups through the development of such reports, as these can significantly improve the brand image they strive for.

The most used method to communicate internally with employees is through coffee break talks and informal discussions. Some firms interviewed in this study also deploy more refined means to communicate with employees: through town hall meetings, weekly surveys, and instant feedback messages. Although these methods tend to be more used to discuss daily operations and provide updates from each business unit and tasks, some companies also utilize these encounters to discuss new ideas, also related to CSR issues, as well as discussions about firm development.

6.5. Stakeholder Mapping

In our presented framework, the first phase (revised below in figure 5) firms should undertake to follow the gradual path of stakeholder engagement is concerned with the stakeholder mapping. From the respondents’ answers, we could identify that all SMEs in this research study are already located in phase 1 of the presented framework. Despite not differentiating between primary and secondary stakeholder groups, managers and CEO’s have explained and justified the importance of several stakeholders to the firm. The interviewees also argued for the high influence that some stakeholders exert in their organizations. We perceive these findings to be very positive, because identifying stakeholders, or the so-called stakeholder mapping stage - presented by Manetti (2011) - is argued to be one of the primary concerns of stakeholder theory. This is due to the fact that stakeholder management (the second phase of the framework) is a corporate activity that should be based on the understanding of stakeholder’s values, attributes and degrees of influence (first phase of the framework), which will, altogether enable firms to strategically evaluate their actions, while balancing stakeholder’s positions and expectations.
Throughout our interviews, managers and CEOs have mentioned several stakeholder groups of relevance, albeit some respondents had difficulties to understand what the term stakeholder encompasses. Different stakeholder groups together with their respective importance varies according to the segments these firms operate. Looking at which stakeholders has an effect for the company, as well as those that the firm affects (employees, suppliers, customers, governments, financiers, environmentalists, among others), two stakeholder groups have received unanimous importance among SMEs’ managers, regardless of the firms’ activities or sector. These are the groups consisting of employees and customers. Furthermore, we found that the importance of other stakeholder groups was highly dependent on the nature of the SMEs activities and/or sector in which they operate. For example, innovation-driven companies such as firms from respondent (5) and (7) tend to put more weight on governments and environmentalists as important stakeholders. Because these firms deploy innovations, they have to work through existing legislation, and push to update or create new legislation for their services to be successful. For other product-driven companies, such as respondent (1) and (4), customers are evidently most important, otherwise the firm would not exist without the demand.

**Employees**

As noted in the theoretical background, employees are of unquestionable important for any firm and scholars such as Greenwood (2007, p. 316), Sen & Cowley (2013, p. 415) and Spence et al. (2003, p. 26) argue that they exert a more significant role within smaller firms. In line with these authors, we have identified that SMEs managers and CEOs see their employees as holding a particular, in certain cases, vital position among other stakeholder groups, confirming the authors argumentation. The reasons for such recognitions are mainly concerned with the fact that employees are viewed as the “brain” behind the firms’ activities, and they stand for an important role in driving business further. Interviewee (3) for example confirmed this by stretching the importance of satisfying employees, as they were a vital component of CSR (both for development and implementation of CSR). This, in turn, confirms the claims of Borglund et al. (2017, p. 124), who noted that employees are both the object and the driving force behind social responsibility, and therefore the driving force of firms to create CSR commitments.

Managers and CEOs of SMEs interviewed explained that employees have the knowledge and expertise to make things happen, and therefore these individuals should be given consideration. With this, we connect the respondents’ answers with the stakeholder attributes of power, legitimacy and urgency introduced by Mitchell et al. (1997) and relate to why employees are enjoying such salience among other stakeholder groups. When
defining stakeholder salience, or, in other words, which stakeholder firms should consider in its decisions, the status of the stakeholder group is an important criterion. As explained by Laplume et al., (2008, p. 1163), both power and legitimacy can determine stakeholder influence, which is an important characteristic of creating stability and stakeholder support (Suchman, 1995, cited in Laplume et al., 2008).

Within the capacity of influencing firms, companies were very aware of the powerful position of employees to do so. As Wasieleski et al. (2017, p. 24) argued, stakeholders can both positively and negatively affect an organization’s objective, purpose, survival or failure. Especially applicable to the context of SMEs, where the dependencies on employees are greater, most managers were aware about how their firms are dependent on employees to secure the business’ future. More than half of the SMEs’ managers in our study knew about employees’ ideas and ideals, such as objectives, projects, expectations, etc. They also acknowledged that the firm has a minimal chance of success without employee support, one of the main reasons for these firms to seek understanding and adapt to employees’ needs. One interesting fact that could be related to stakeholder influence mentioned by four respondents and extensively by our expert interview with Esam, is that of employees getting ill as a result of a poor work environment or low satisfaction. Although this is not an explicit and purposeful action taken by employees to influence firms activities (not as obvious as for example a strike), it does contain elements of an influence strategy to withhold resources (such as labour) and aims to change organizational behaviour to challenge the status quo. Therefore, these firms were actively working on improving the working conditions and satisfaction of employees, since they believe that the key to secure employee support was by providing a work environment that boost employees’ confidence and well-being.

One element brought up by the consultant at Esam was the awareness (or in this case, the often lack of awareness among SMEs) about the individual characteristics of employees from the top management, especially when it comes to their work and well-being. The respondent explained that employees’ private life has an implication to the working life, regardless of their stage in life, and these individual characteristics change each employees’ needs. Such needs are at times difficult for the management to assess or understand. What the consultant at Esam suggests goes thus in line with the literature of Harrison & Wicks (2013), Lankoski et al. (2018) and Mcvea & Freeman (2005) pointing out the need for identifying the different utility functions this stakeholder group possess, which adds upon a higher degree of complexity to attend to their specific needs. The consultant, together with the aforementioned authors, stress that organizations should recognize the individual value of each employee and adjust to their characteristics in order to better be able to serve their specific needs. This, in turn, is related to stakeholder management.

6.6. Stakeholder Management

As Laplume et al., (2008, p. 1153) claims, strategic decisions demand firms to be aware of the stakeholders’ values so that decisions are made in the best possible way, aiming to address both stakeholder’s needs and expectations and the firms’ goal to achieve superior performance. In our framework about the gradual path of stakeholder engagement, we have identified phase two with stakeholder management. This stage is achieved after the identification of stakeholders and is argued to be an absolute critical managerial aspect in business (Post et al., 2002, cited in Miles et al., 2006). In any firm, a ‘stakeholder
approach’ is concerned with the active management of the business environment, relationships with firms’ stakeholders and the promotion of shared value to be able to develop business strategies. As Manetti (2001) proposes, the true understanding about stakeholders’ needs, expectations and values are necessary for the establishment of positive stakeholder relationships. The latter is undoubtedly a critical aspect firms should seek to have and maintain in an increasingly competitive landscape.

In SMEs’ efforts to successfully manage stakeholders we could identify that managers and CEOs seek to have good relationships with a variety of stakeholders, because, in line with Post et al., (2012, cited in Miles et al., 2006), SMEs argue that stakeholders form the foundation of why the firm exists. We saw that management of stakeholders’ relationships is a particularly present concern in firms from four respondents, where they stress the need for good relationships to their business context. These managers also claim that understanding stakeholders’ expectations, especially employees and customers, is a critical activity for their organizations to survive.

If analysing the respondents’ answers related to the second phase of the framework – stakeholder management - we could identify that all SMEs interviewed in this study are located at the second stage (see figure 6) of the gradual path of stakeholder engagement framework. Through information or response communication strategies proposed by Morsing and Schultz, we found that most firms in our study seek to be (positively) influenced by employees in order to better manage them. However, not all firms seemed to have a true understanding of the stakeholder relationship, specifically the employee-firm relationship. As Esam argued, most SMEs sometimes find difficulties to adapt to the specific needs of employees, as they are not static over time. This could imply that more is needed from the management side to more successfully accommodate employees’ expectations and wishes in the decision-making over time.

As respondents (3) and (6) in particular mentioned, understanding stakeholders’ expectations and addressing these in the decision-making is often a difficult task for the firm, which confirms the line of thought of both Freeman (1984) and Andriof et al., (2002, p. 73) on how challenging the process can be. Weighting the trade-offs of organizational decisions are thus necessary mean to approach strategy development among firms. This is a challenge that holds true in any business context, but seems to be especially difficult
for smaller firms. Following Jenkins (2004, p. 44), where the author claims that stakeholder management in an SME context is different than in larger organizations, due to more informal, trusting basis, and with less of a gap between the relative power and influence of companies and its stakeholders, we have identified that the SMEs in our study have a more informal relationship with stakeholders, especially employees. Trust has been mentioned by two interviewees. The trust aspect between employees and management is greater in a small firms’ context and the flow of communication between these two entities can thus be argued to be less complex and more on an intuitive basis. Esam also argued that in smaller, family companies, such positive, informal relationships are a reality. Naturally, as these companies grow, Esam also explained that the level of informality decreases and management problems often arise in terms of implementing HR structures and including levels of hierarchy. She points that it can be management, communication or even historical problems for these firms to keep sustaining a strong, positive relationship with its stakeholders. Moreover, she touches upon the shared values as an important condition to keep organizations focused on their goals.

Apart from this, we’ve found that employee support on decisions is an important factor for SMEs. Without such support, managers view that activities are most likely to fail and can potentially bring other negative consequences to the company. From the understanding that firms can increase their success and better serve the needs and expectations of employees, engagement is unquestionably an important condition to achieve such organizational goals. The initiatives that these firms take to promote this engagement, focused on employees, are discussed in the following section of the analysis.

6.7. Employee Engagement in CSR strategy-making

As presented in the theoretical background chapter, stakeholder engagement has been identified as an important shift among organizational behaviour. Such notion of inclusive governance and the change from shareholder to a “stakeholder centric” attitude proposed by Elkington (1994) is increasingly present among firms and has transformed the way they are doing (or at least should be doing) business to compete in a more demanding environment. The idea that stakeholders are vital, highly influential for organizations has reconfigured the way management sees the importance of stakeholders, as they are argued now to be “the single most important element in the age of sustainability” by Savitz and Weber (2012, p. 190). We have seen that maintaining positive and long-lasting relationships with stakeholders is an important factor to determine competitiveness and to establish good managerial practices, because stakeholders are capable of influencing firms in both positive and negative ways (Wasielewski et al., 2017, p. 24). For the firms interviewed in this study, maintaining positive employee relationships is naturally crucial for the firms’ development. Despite the awareness, in order to sustain such relationships, firms must excel at engaging stakeholders. Some of the SMEs in our study display characteristics of the last phase of the gradual path of stakeholder engagement.

Likely higher success rates with employee engagement

Advantages of stakeholder engagement are numerous (see 2.1.5 for further details). Not only organizations can benefit from a more aligned and efficient development and implementation of policies and services, but stakeholder engagement can also be one of the determinants of positive CSR outcomes (Sloan, 2009; Trapp, 2014). Through effective stakeholder engagement, companies are more well-equipped to identify opportunities and mitigate risks, since the knowledge integration and open dialogue can
be valuable sources for a competitive advantage (Andriof et al., 2002; Ayuso et al., 2006; Hillman & Keim, 2001; Zachary et al., 2014). Among the respondents in this study, we have identified that most companies believe stakeholder engagement in the decision-making is an important and beneficial managerial practice. Most respondents argue that employee engagement in decisions is important because employees are the ones who have to implement such decisions. Without their participation in the formulation of CSR-related activities, firms see that they might lack the necessary knowledge and support for these initiatives to succeed.

The interviewed SMEs are very aware of the influence employees have on the firm, and consequently on their power to influence the firms’ decisions. More than simply managing, we’ve found that most SMEs want to engage, involve and learn with their employees to improve and receive higher support on the decisions carried throughout the organisation. Decisions that aren’t in line with employees’ expectations, needs and wishes won’t carry employee support and are therefore expected to fail by management. This justifies and acknowledges the awareness of how important employee engagement in CSR decision-making is viewed among almost all SMEs managers and CEOs, with the exception of respondent (1).

The need for a balance
We noted, however, that some of our respondents also mentioned the potential disadvantages of employee engagement in CSR decision-making. In line with Prahalad and Ramaswamy (2004, p. 6) and Sloan (2009, p. 30), stakeholder engagement could eventually mean lack of control from the management side, and lead to unsatisfactory outcomes if not properly managed and prompted by organizations. The negative side of employee engagement brought by some respondents lies in the limited time available to promote such engagement, as well as the managements’ evaluation of how much companies can (and should) afford to have employees continuously engaged in such matters. Some respondents argue the need for a balance between employee engagement with socially responsible issues and the necessity to focus on the daily operations of the firm. The first should not overshadow the latter. One example that supports this line of thought is from respondent (4). He claims that discussions revolving CSR should not take over the firm, otherwise the company would face difficulties trying to make profits. For other respondents the extent to which employees understands “the big picture” of the business and conform with the values and norms of the company are preconditions to how much employees should be engaged in such discussions. Albeit some disadvantages of employee engagement being argued for, we saw that most SMEs interviewed in this research study tend to stand positively for the engagement of employees in CSR strategy-making. But with a remark that, as anything is within the business context, determining the firms’ capacity and limits of how much employees should or can be engaged in socially responsible strategic decisions is a reality for these firms.

Communicate to engage
In the theoretical background, we have argued that (effective) communication is a necessary aspect for successful stakeholder engagement and CSR decision-making (see 2.1.6). Several models that include the element of communication were introduced by scholars. We identified three most effective ways of engaging employees in the CSR strategy-making: by employing strategic conversations (Miles et al., 2006), through the collaboration model (Sloan, 2009) and through the two-way symmetric CSR communication strategy (Morsing & Schultz, 2006). From our empirical findings, we
could identify that not all participating SMEs fit into the desired state of employee engagement in CSR strategy-making and not all of them have characteristics of these three ways of engaging primary stakeholders. Companies rather display certain traits of different types of the phases from the gradual path of stakeholder engagement adapted from Manetti (2011), and we find that allocating the firms along this spectrum is not necessarily a “one size fits all” measure into the specific stages of the model.

For example, referring to Sloan’s (2009, p. 37) control and collaboration model as placed as two means that firms can promote stakeholder engagement, where the latter was considered as the most optimal way to engage stakeholders. We could see that firms often have different stands in regard to this aspect. As a part of this model, we could identify whether SMEs tend to see employees as a source of risk or opportunity and how such perspectives affect the way employees are managed and eventually engaged in strategic CSR decisions. Among companies with an orientation on consulting services, such as respondents (5) and (7), we noticed that employees tend to be seen as a great asset of knowledge in the companies, which would suit the collaboration model that promotes organizational learning through information sharing. Also a reality of the collaboration model was identified among firms (2), (3) (4) and (6) leads us to portrait that these companies view its employees as a source of opportunity, rather than risk and want to harvest the knowledge that can be generated from the interactions with them.

Employees, however, are also in some cases seen as a risk to firms, for example with the potential to get sick (lack of labour) or they can take advantage of their position if they do not conform with the firms’ norms and principles. This was the example of firms from five respondents. Albeit we have argued before that some firms fall into the category of the collaboration model, we see that (see table 8) they can also be related to the control model of Sloan (2009). The control model is concerned with that stakeholder engagement must have a limit, or in other words, be at arms-length in order for the firm to not lose control over the decisions. In fact, this model implies that stakeholders can be sources of risks. Such risks can then be mitigated by good management and the promotion of shared and ethical values that should guide the organization. Happy, wealthy, committed and responsible employees will be less sick and more aware of their roles in contributing to the sustainable growth of the firm. Interestingly, this was one of the things our expert interviewee at Esam focused on. In all, four companies displayed characteristics of both engagement models proposed by Sloan (2009, p. 37).

<table>
<thead>
<tr>
<th>Firm</th>
<th>Control Model</th>
<th>Collaboration Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent (1)</td>
<td>X</td>
<td></td>
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<tr>
<td>Respondent (2)</td>
<td>X</td>
<td>X</td>
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<td>Respondent (3)</td>
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<td>Respondent (4)</td>
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<td>Respondent (5)</td>
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<td>Respondent (6)</td>
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<td>X</td>
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<td>Respondent (7)</td>
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</tbody>
</table>

Table 8: Respondent’s grouping of Control & Collaboration model

Strategic conversations are seen as an engagement mechanism presented by Miles et al., (2006), where unfiltered information flows aim the facilitation of better knowledge around the organization and guide strategic decisions based on firms’ capabilities. From the interviewed companies in this study, we have identified that six out of seven firms
deploy strategic conversations with employees (see table 9). These companies have shown their willingness to receive insights from employees, because they believe opportunities can be identified and the firms’ capabilities can be reflected upon, which will undoubtedly have an implication in the strategy-making of any kind, but especially in terms of corporate social responsibility. From the strategic conversations table below, we can see that most firms in this study are in the path to stakeholder engagement in the decision-making of CSR-related initiatives.

<table>
<thead>
<tr>
<th>Firm</th>
<th>Employing Strategic Conversations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent (1)</td>
<td>X</td>
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<tr>
<td>Respondent (2)</td>
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<td>Respondent (3)</td>
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<td>Respondent (4)</td>
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<td>Respondent (5)</td>
<td>X</td>
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<tr>
<td>Respondent (6)</td>
<td>X</td>
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<tr>
<td>Respondent (7)</td>
<td>X</td>
</tr>
</tbody>
</table>

Table 9: Respondents’ employment of strategic conversations

Morsing and Schultz’ (2006) communication strategies were also introduced for in the theoretical background chapter, were the authors propose three main strategies that firms can use to promote interaction and collaboration with its stakeholders: informational, persuasive and dialogue strategies. The outcome of our study is summarized below in table 10. In the company of respondent (1), we believe this firm adopts an informational strategy, because employees are not engaged in the process of developing CSR strategies, but rather being informed of the strategy already decided by top management. As for respondent (6), albeit the firm displaying characteristics related to strategic conversations which could lead us conclude that the company is engaging its employees in the CSR strategy-making, we could see that, in fact, this firm uses mostly a response strategy. From the meetings and follow ups with staff and union representatives, the management can listen to employees’ needs and make activities relevant for them. However, we believe that employees, albeit still given room to share their ideas and inputs, are not fully engaged in the CSR strategy-making of the firm.

As for the other companies, we see that they do carry elements of the last strategy, also known as the involvement strategy, built upon a two-way symmetric communication from management and employees. We believe this is due to the fact that these organizations are involving its employees to better be able to understand their needs and wishes, to then develop appropriate CSR initiatives that cover these needs and expectations. In all, these remaining companies assume a perspective of dialogue to better share CSR strategies and appreciate the mutual understanding, agreement and consent between the employee base.

<table>
<thead>
<tr>
<th>Firm</th>
<th>Informational Strategy</th>
<th>Response Strategy</th>
<th>Involvement Strategy</th>
</tr>
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<tbody>
<tr>
<td>Respondent (1)</td>
<td>X</td>
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<tr>
<td>Respondent (2)</td>
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<td>Respondent (3)</td>
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<td>Respondent (4)</td>
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<td>Respondent (5)</td>
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<td>Respondent (6)</td>
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<td>Respondent (7)</td>
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<td>X</td>
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</table>
Table 10: Respondent’s communication strategies grouping

Reasons that might explain why firms are not fully engaging its employees in the decision-making of CSR may vary. It can be due to the management style, lack of resources and structures to promote a two-sided exchange of information, weak embedded CSR culture in the organization, less priority around CSR issues due to the firms’ sector and activities, as well as management not seeing the need to engage its employees in the decision-making of CSR.

Means to engage

Generally, only few of the SMEs in our study actually had established methods to promote employee engagement with CSR decisions. This is usually done with a wide range of activities: different conversations, from small talk during coffee breaks, to surveys and official meetings and discussions. CSR initiatives, such as ideas of possible sponsorships coming from employees, are used to serve employees’ needs to do good, as was the case with for example the sponsorship of a bird research station by respondent (7). SMEs are more likely to make decisions based on what they feel is right, or what is most supported through the employee base. This rule however, does not apply to all decision-making.

What we have seen in this study is that engagement of employees (see figure 7) in SMEs can also reach further than around CSR initiatives. We’ve found that a large factor within employee engagement is the influence employees have on the daily decision making, influence that we’ve mainly found among SMEs that offer consultancy services. Employees take decisions on which projects to take or how to solve the issues, like was the case with respondent (5), (7) and Esam. When analysing whether SMEs in this study are located in the last phase of the framework of stakeholder engagement with CSR strategy-making, we see that five out of seven companies have reached the last stage of the gradual path of stakeholder engagement framework, albeit not fully. The majority of respondents show some characteristics of the stakeholder engagement phase, hereafter related to employee engagement in CSR strategy-making. At the same time, they are not totally isolated in terms of the means to promote this engagement, given the ambiguous traits that they possess throughout the framework.

![Phase 3 Stakeholder Engagement (SE)](image)

**Figure 7: Phase 3 of the Gradual Path of Stakeholder Engagement revised**
The following figure 8 revises our preliminary framework, based on the findings of this study. In our preliminary framework, we have approached certain themes/topics from the theoretical background. After the data collection, some additional categories were added and/or repositioned. In the first phase we proposed stakeholder mapping (based on the theme 6.5) and where we could identify that all SMEs managers and CEOs are aware of the importance of employees within their firms. Thus it be argued that these SMEs are already located in this first stage of the framework. Not necessarily isolated as the singular group that is enjoying the highest salience or stakeholder status, employees do exert high influence in general, making these individuals highly relevant for the company. Not included in this first phase and therefore different from the preliminary framework is the differentiation between primary or secondary stakeholders proposed by Clarkson (1995, p. 105), albeit we believe that this change does not bring implications to the identification of stakeholders in business practice.

We have also seen that all firms already have moved from the first stage to the second one of the framework - stakeholder management (related to section 6.6). Through deploying either stakeholder information or response strategies, SMEs are informing their employees about decisions and often are listening to their needs and wishes. This is due to the need of receiving support from the employee base in corporate decisions. Yet a challenge firms must excel is how to balance the trade-offs of stakeholders’ concerns in the decision-making. At times, we saw proof that it can be difficult for some interviewees to address those in the best possible way. One important change in this second stage is that the true understanding of stakeholder relationships is now part of the transit gap towards stakeholder engagement, as it we see that such knowledge is a necessary condition for effective stakeholder engagement. Finally, the last phase is stakeholder engagement (6.7), where we can interpret that firms are somehow not isolated in the last phase. One interesting aspect included in this phase is the need for a balance between stakeholder engagement and the daily work, which was not present before in neither the preliminary framework, nor in the theoretical background. Albeit realizing that engagement is generally a positive action, too much engagement can signify a drawback.

Certain characteristics of CSR in SMEs have been found among our respondents as well. CSR is shown not to be limited to the local community and come from a mixed set of motives and drivers depending on the SMEs context. Informal CSR strategy-making was added in the framework, which confirms the theories presented in the literature. Trust is also an element that has been added and it reveals to be a very important condition for SMEs to engage with employees. Size has been also added due to distinct views from respondents on being both positive and negative to develop CSR.

Furthermore, we realized that not all firms can be easily placed throughout the framework. They rather show certain characteristics of each of the stages. Therefore, we believe we can not draw significant distinctions between the which stages firms are located, as opposite to what we have initially aimed. Firms portrait different traits over the phases. In addition, these traits are subject to interpretation as well. However, we have found that firms move throughout the framework. It is clear now that there is a need of true understanding of stakeholder relationships among these firms. Moreover, the appropriate communication mechanisms must be in place for SMEs to successfully move to the latter phase of employee engagement.
Figure 8: Employee Engagement with CSR Strategy-making in SMEs – Revised

**Employee Engagement with CSR Strategy-making in SMEs**

- **Phase 1: Stakeholder Mapping**
  - Main objective: Identify stakeholders
  - Stakeholder Attributes: Power, Legitimacy, Urgency
  - Stakeholder Influence

- **Phase 2: Stakeholder Management**
  - Main objective: Manage stakeholders’ expectations
  - Stakeholder Information Strategy
  - Response Strategy: Balance the positions to better accommodate stakeholders’ needs and expectations

- **Phase 3: Stakeholder Engagement (SE)**
  - Main objective: Engage stakeholders in decision-making
  - True understanding of stakeholder relationships as a precondition to successful and efficient SE
  - Employ Strategic Conversations
  - The involvement strategy (Two-way symmetric communication)
  - Control x Collaboration Model
  - Organizational learning, inclusive engagement, knowledge sharing and integrated decision-making
  - SE Balance is necessary

**CSR Strategy-making**
Better aligned with stakeholders’ expectations, needs and wishes
Informal and unstructured

**CSR in SMEs**
Depending on the industry, more weight is placed on one of the TPL elements of CSR
Mixed motives/drivers for CSR in SMEs
CSR related actions implemented an ad hoc basis
Not necessarily to local community alone

**Employees**
Highly important stakeholders for SMEs
Influencers & resource holders (power, legitimacy – high salience)
Informed perspective about CSR opportunities and other stakeholders’ concerns
At times difficult to understand individual needs

**SMEs**
Owner-manager structure
Firms more dependent on employees
Higher flexibility & adaptability to engage with CSR
Poor recognition of CSR opportunities
Resource constraints
Size (both advantageous and a constraint)
Trust aspect and CSR culture emphasized
7. Conclusions

In this chapter, we will conclude our study and answer our research question. To follow the order of the theoretical background, we start by shedding light on stakeholder engagement followed by CSR among SMEs. We also point to the limitations and reflect upon the theoretical, managerial and societal contributions. Lastly, we finish the chapter by providing recommendations for future research.

7.1. General conclusions

In this study, we aimed to better understand the behaviours of SMEs towards corporate social responsibility and thus bridge the existing research gap of CSR and small and medium sized enterprises. Our goal in the present research was also to approach the topic of stakeholder engagement in the decision-making of SMEs from a different and narrowed perspective – focusing on employees. To achieve that purpose, we have conducted an exploratory study. Eight managers from SMEs in Umeå were interviewed. We formulated the following research question:

*How do Swedish SMEs engage employees in the CSR strategy-making from a management perspective?*

In terms of engagement, we have seen that among the participating SMEs, with the exception of one respondent, all companies have a genuine interest to engage employees in CSR decisions and they acknowledge that such engagement in CSR and in general corporate strategy-making can be a valuable source of market intelligence, opportunity identification and provide a better alignment with employees’ expectations and values. There is a wide understanding that these aspects are highly relevant for firms’ success and sustainable growth. But, as in any aspect in business, employee engagement in CSR strategy-making should be balanced and not take over the daily operations of the firm.

Albeit most of the firms believe it is important and beneficial to engage employees in such discussions, we have found that they often lack the knowledge of dealing with this systematically. We could identify that the companies that engage employees in the CSR strategy-making have very informal ways of promoting this engagement. The most widely adopted means to promote this engagement is through informal discussions and talks during coffee breaks. Some companies also use more formal and developed methods to involve employees in the decision-making of CSR, such as using town hall meetings, instant feedback mechanisms, anonymous notes and by collecting weekly surveys with employees for this purpose.

We previously assumed that the stakeholder engagement (focused on employees) with CSR strategy-making would be greater among SMEs, due to less distance in the relationships with employees among these firms. However, our findings suggest that employee engagement in many SMEs is in between the level of a responsive and involvement strategy by Morsing and Schultz (2006) and rarely reaches full employee engagement in CSR strategy-making. SMEs interviewed in this research often use strategic conversations to benefit from mutual learning with employees. The collaboration model proposed by Sloan (2009) is also deployed by some firms, albeit some also display characteristics of the control model. Top management is aware of the
employees’ importance to the firm and aims to align employees’ expectations, needs and wishes in the firms’ activities and decision-making of CSR. They do this by listening to employees’ views and concerns, usually in terms of instant feedback. Companies try to respond to those expectations, needs and wishes in the decisions that they make. An important take away from this study is that firms are often more concerned with defining the fundamental moral principles that guide the organization and aim to involve employees in this culture, which could be defined as employee engagement with CSR. This does not necessarily imply that organizations use these principles as the basis for a more improved decision-making. With a more outspoken, formal and explicit CSR strategy SMEs might increase the ease of recruiting skilled labour that conforms with the company’s values and beliefs, which in turn could improve the firm’s reputation and performance on the long-run.

Our study also indicates that employees are indeed a highly important stakeholder group for SMEs, which confirms the literature saying that they enjoy the highest salience among other stakeholder groups. Together with customers, employees are the most salient stakeholder group due to their power over labour and because they have legitimate claims over the firm. Managers and CEO’s expressed that employees stand for a valuable source of knowledge of the company’s capabilities – they are the “brain” behind the firms’ activities - and exert a particular role in driving business further. Especially for firms within consultancy services employees are seen as a great asset and opportunity. The employees’ influence towards the organizations core business is therefore high. Understanding employees’ values, concerns, and expectations is something companies pride to do and an important step to achieve employee engagement with strategic decisions, however true understanding of stakeholder relationships is often very challenging for these firms. Argued to be a crucial aspect, management of stakeholders is a reality among all the SMEs in this study, but this process is at times seen as difficult for some managers. We can conclude that these firms seek the identification of employees’ needs and wishes and are concerned with addressing these needs in the best possible way.

Sometimes hesitating answers from respondents in regards to social responsibility lead us to believe that more in depth knowledge about how firms can tackle CSR issues and stakeholder engagement is needed. We believe therefore that there is room for improvement around these aspects within business context. SMEs’ managers and CEOs might have the intuition to engage employees, but lack strong argumentation of their actions, as well as appropriate structures and processes to promote engagement.

We believe that, although most of these processes are not so developed, SMEs can still leverage informal types of communication to their advantage. Possibly, they can also receive information and insights regarding important CSR issues through these encounters. Given that they have lower barriers between employees and management, due to the less hierarchy of such firms (Freisleben, 2011, p. 54), we see that both employee management and employee engagement with strategic decisions can more easily be fostered in these firms. We’ve also seen this trend among the respondents in our study. They rely on this informal communication to be informed, gauge opinions, and gather valuable information. However, most of the communication is rather feedback driven and doesn’t necessarily approach CSR in specific, or consists of mutual decision-making.
We could see that, although smaller firms interviewed in this research often have several limitations for fully exploring CSR opportunities, they do show commitment to the importance of growing sustainably, being socially responsible and safeguarding the welfare of employees. Otherwise, they believe their firms would not be acting ethically, which could hurt their reputation as a result of not being compliant, damaging therefore the brand image they are trying to build. Organizations in this study consider that acting socially responsible is a necessity in an increasingly demanding society and competitive landscape, acknowledging that more can be done to address such issues within their firms’ scope, albeit their impact and reach is often viewed as limited. The motives for promoting organizational CSR for the interviewed SMEs are mixed. CSR is not only driven by the understanding of economic benefits, serving as means to avoid risks and costs, but also by the firms’ genuine willingness to provide fair, good working conditions to the employees and suppliers, as well as to the environmental motive of providing services and products that minimize the negative impact on nature.

Most of the firms interviewed in this thesis, although implicitly and often unaware, have CSR-related initiatives or focus, regardless of the industry or sector in which they operate. The process of CSR strategy-making among the interviewed firms is generally informal, and the procedure for socially responsible matters is characterized by activities deployed on an ad hoc basis, which confirms the arguments presented in the literature of the informal approach of SMEs towards CSR. Such approach to corporate social responsibility is often due to size, limited resources (time, monetary and human), as well as a lack of developed processes and systems to more effectively carry out organizational CSR. As a side-effect, they not only have less developed internal practices but also carry a less explicit external communication of their efforts to be a socially responsible player in society. The informal CSR strategy-making is a condition seen in all respondents, while it does not necessarily imply that they cannot deploy (or are not currently deploying) CSR-related initiatives to address certain issues.

SMEs possess specific characteristics that influence the way they do business and their CSR activities. These companies are not just a “scaled down” version of larger firms. In fact, they own unique individual features that largely determine the way they act. The lists bellow display the individual characteristics of SMEs in regards to CSR and employee engagement:

7.1.1. **Characteristics of CSR in SMEs**

- CSR can be hard to understand for SMEs
- CSR is present, but SMEs are not always aware
- CSR activities are deployed on an ad hoc basis
- CSR is not only locally oriented, but it can also occur on an international level
- The motives/main drivers to implement CSR-related activities are mixed (environmental, economic and social)
- The owner-manager personal motivation is also a driver for SMEs to deploy CSR
- Firms need the support from stakeholders and have to make CSR activities relevant for these groups
- There is a lack of structure and knowledge among SMEs for a formal CSR strategy
- CSR communication in SMEs is more informal
- CSR activities are incorporated as well as bolted on to SMEs business models
7.1.2. **Characteristics of employee engagement in CSR strategy-making among SMEs**

- Lower hierarchy layers in SMEs enable information sharing about CSR-related issues and can facilitate employee involvement in corporate decisions.
- Generally, there is a high willingness among SMEs’ management to engage employees in strategic decisions.
- Such willingness to engage employees originates from the need for consent from top management.
- Characteristics from different means to engage, such as the control and collaboration model, CSR communication strategies and strategic conversations are found in different SMEs.
- Employee engagement among SMEs is thus more informal and unstructured.
- Employees have high influence, importance and power towards SME if compared to larger firms. These elements often translate to CSR decisions as well.

To conclude, we found that companies are increasingly taking into account a new “stakeholder approach” to governance. Organizations are progressively more urged to position themselves within the emergence of sustainable development and they see the value of stakeholder engagement for a more sustainable and supportive growth. An effective instrument to do this is through corporate social responsibility.

7.2. **Study Contributions**

7.2.1. **Theoretical Contributions**

In this research we aimed to contribute to the increasing theoretical literature about CSR applied to the context of small and medium sized enterprises (SMEs). We believe our study has achieved this purpose through our qualitative study. We have contributed by bridging the research gap of improving the understanding about CSR in the context of smaller firms, broadening the knowledge of the strategic realities of corporate social responsibility in a Swedish context. We have also gained a greater understanding on what companies consider as CSR, and the behaviours that characterize these organizations when it comes to CSR-related decisions.

Further, we have also contributed to the theory of stakeholder engagement by examining the relationships between managers and CEOs with its employees in particular. We have contributed to bridging the second gap in literature in terms of the engagement focused in one specific stakeholder group. Previous studies have mostly investigated stakeholder engagement in decision-making in a more general level in regards to stakeholders (Miles et al., 2006; Trapp, 2014). We have explored how Swedish SMEs engage employees in the CSR strategy-making. Our focus on employees, regarded as one the most salient and stakeholder groups for SMEs, allowed a better understanding of the one part of stakeholder theory and stakeholder relationships. By investigating what the employees’ roles are in guiding socially responsible activities for the firm, we have shed the light into how the employees are comprehended from top management and how these relationships are maintained in these firms’ context.

Furthermore, we aimed to contribute to descriptive and normative domains of stakeholder theory. By identifying the characteristics of the relationships between employees and managers of SMEs, we have contributed to the descriptive stream of stakeholder theory by analysing how these companies operate and their views about the strengths and
weaknesses are in terms of CSR, CSR decision-making and stakeholder engagement. In the normative domain of stakeholder theory, we could also improve the understanding of SMEs’ behaviours towards CSR, such as their norms, values, philosophical guidelines and the current societal contributions from their business. The normative pillar of stakeholder theory is based on the idea that the company’s decisions affect stakeholders and, therefore, they should be ethically and transparently guided and in line with stakeholders’ expectations. We believe these interpretations and the identification of such aspects linked to the activities and management of corporations can bring more insights into the reflections about the firms’ role in society, and how acting socially responsible could help these companies to further grow sustainably with the support of its stakeholders.

7.2.2. Managerial contributions
In our expected managerial contributions, we stated that our study could potentially raise the awareness of managers and practitioners in the SMEs context to: (1) devote more time to address CSR issues; and (2) to further engage its employees in the strategy-making process of CSR. In gaining a knowledge of the SMEs behaviours towards corporate social responsibility and better comprehend what constitutes stakeholder engagement practices within these firms, we hope to promote a reflection for SMEs to excel their managerial expertise in these aspects, especially because such decisions affect firms’ stakeholders.

Interestingly, from our empirical findings we found proof of the importance of our study. Many of the respondents seemed inspired by our questions and often said, for example; “we should be”, “we should do” or “we should be better at” indicating the wish and need for better practices in terms of both corporate social responsibility and employee engagement with corporate decisions. With this, we believe we have raised the awareness among our respondents in regards to both topics, which are increasingly relevant for the reputation and growth within business’ context. We believe we have laid down important knowledge for managerial practices that is not only describing what stakeholder engagement practices constitute of, but also provides valuable know-how for managers to improve and excel within these aspects. From the reflection of managers, we hope that SMEs become more proactive to deploy socially responsible initiatives in their communities and also to a broader extent, as well as that the management is well-equipped to promote employee engagement within CSR strategic decisions in their organizations. The latter can be done by fostering more ongoing meetings and promoting feedback sessions to discuss CSR-related issues that the firm can pursue.

We also believe our study can motivate SMEs managers to better shape their messages when communicating CSR-related matters. Not only to improve their external communication to broader stakeholder groups, but also advance the internal communication and dialogue mechanisms with employees. Since we believe that a more explicit CSR communication can foster information sharing between employees and top management, firms can also enjoy the benefits of organizational learning, employee satisfaction and ultimately better decision-making, performance and reputation. A recommendation would be to devote more on communication externally to convey the messages about the good that they are doing, as to spread the awareness of the general public about CSR-related endeavours.
7.2.3. **Societal contributions**

We believe our work has important contributions to the societal good. Since SMEs are the backbone of the society and represent more than half of the economy worldwide, understanding these firms’ behaviours towards corporate social responsibility and inclusive governance are of key importance.

From a micro level, we hope SMEs can better seek to engage its primary stakeholders (employees) in the formation of CSR strategies. Not only this activity aims to improve the firm and employee relationships, but we believe that engaged employees in strategic decision of CSR can potentially increase the likelihood of success of CSR initiatives a firm undertakes. We hope that firms that are better equipped to see opportunities and harvest the benefits of being socially responsible can aim to lower their impact on society and contribute more to the general societal good. By decreasing the impact on the environment through an optimized and cost-effective value chain, firms can increase the quality of life of employees and the planet in a broad manner. We hope management as well as employees can become better citizens with such reflection. Therefore, we encourage management to promote greater discussions about CSR issues within their firms. Organizations could teach and promote socially responsible behaviour from employees. Such knowledge and awareness could then enable individuals to be more concerned about sustainability issues, so they hopefully can follow such behaviour in their private lives and with their peers.

From a macro-level perspective, we hope our study can motivate other stakeholders to support firms’ CSR endeavours, as to conjointly contribute to an ethical and responsible impact in society, environment and economy for the future.

7.3. **Study Limitations & Future Research**

**Study Limitations**

Our study has several delimitations and delineating them is important. The first limitation is related to the fact that the data collection was based on semi-structured interviews with managers and CEOs of Swedish SMEs. Since our study was focused on the perception of managers, from a firm/management perspective, their vision about employee engagement with CSR strategy-making might be different from the opinions of employees. If the field work has been undertaken with employees among SMEs, we would have been able to understand the realities of engagement viewed from an employee perspective. We have, however, decided to focus on managers since their views on decision-making was an important condition to understand firms’ behaviours towards these issues.

The second limitation is also related to the data collection phase. Due to time and resource constraints, we have only used the data collected from interviews to better understand the phenomenon of employee engagement in CSR strategy-making. In case we have complemented the data collection with other methods, such as observations, retrieving of documents, and communication materials, our understanding of these processes could potentially bring more insights to the study and enhance the findings.

Another limitation in this study is concerned with the language. Since we are two international students, we carried the interviews in English, neither the authors nor the participants’ mother tongue. Due to this reason, some information provided by the managers might have received a different interpretation or meaning. The English as a
main language of communication could have affected the participants’ answers who, otherwise, would be better able to express their thoughts in Swedish, which was at time the case that interviewees struggled with translating expressions in Swedish to English. Nevertheless, we sought to accurately transcribe the answers, also highlighting the non-verbal cues the respondents gave throughout our interviews, so our interpretation would avoid bias and correctly capture respondent’s perceptions.

Despite the presented limitations, we believe our research study sufficiently explored the ways smaller companies approach CSR, CSR strategy-making and stakeholder engagement.

**Future Research**

The insights we have obtained throughout this study allow several recommendations for future research. The first one is related to stakeholder engagement with CSR strategy-making. As our study focused exclusively on employees and has shown that every stakeholder group has individual characteristics, this topic could be further explored by focusing on another stakeholder group, such as suppliers for example. By investigating other stakeholders’ engagement with CSR, it is possible to further comprehend how stakeholder relationships are prompted and maintained in smaller firms.

Another suggestion of future research would be to undertake this study with an employee perspective, in addition to the views from managers and CEOs. Their perceptions could differ from those of top management and the topic of stakeholder engagement would be covered from a different angle. We assume the possibility of employees viewing their engagement in such discussions differently than those views from management. A possible research question for this study would be: “How do SMEs engage employees in the CSR strategy-making from an employee perspective?”. This type of research would contribute to a better picture of the realities of stakeholder engagement among SMEs.

Pointed previously as a delimitation of our study was the fact that we did not differ the nature of business interviewed in this work (not solely business to business or business to consumer firms). Interestingly, our study showed varying results among companies in different industries. Therefore, future research could also contribute to the field of stakeholder engagement by investigating how this phenomenon plays a role in specific industries (such as product-oriented firms or focused on consultancy services in separate), as well as these topics within different geographical locations with potentially varying cultures and business contexts. For example, it could be valid in this case to develop a comparative study between SMEs from both developed and developing countries, assuming culture and behaviours towards CSR and employee engagement differ. This would allow researchers to see whether there is a difference in terms of CSR activities, CSR drivers and realities of stakeholder engagement.

Since we have now gained a better understanding about how organizations can benefit from stakeholder engagement in terms of organizational learning, a further idea for research could be to explore real implications of the relationship between stakeholder engagement in the decision-making and organizational learning as an outcome. We believe that comprehending the value of stakeholder engagement together and its relation
with organizational learning can serve as a more refined and strong argument for firms to promote stakeholder engagement.

Given the specific characteristics we’ve found among SMEs, a logical next step would be studying if SMEs serve for a better or worse base for dealing with individual characteristics of the employee stakeholder group. A possible research question would be: “How does the size of an SME affect management to have a personal approach with employees?”. Since more informal relationships are a reality within smaller firms, such study could allow a better understanding about how smaller firms in different sizes approach stakeholder management, for example. (Harrison & Wicks, 2013, p. 113; Lankoski et al., 2018, p. 232; Mcvea & Freeman, 2005, p. 59).

Furthermore, a similar study could be developed under a longitudinal study. One of the strengths of longitudinal research, argues Saunders et al. (2017, p. 200) is the capacity to study change and development over time. This type of study allows researchers with with the possibility to measure and control variables being studied. Such research could reveal more relevant insights into the CSR developments in SMEs according to context and as the business grows. Also, it is possible to understand how the behaviour towards stakeholder engagement focused on employees can transform over a period of time. Borglund et al. (2017, p. 67) indicated that one of the important aspects of CSR is that responsibility issues can be addressed in many forms within firms and are on a constant state of revision. Understanding thus the continuous interaction between organizations and stakeholders and how these relationships dictate these changes could be valuable knowledge.
8. References


93


Earth Overshoot Day (2018). Earth overshoot day, Available at: https://www.overshootday.org/, [Retrieved February 05, 2018].


Appendix 1 – Email to participating companies

[Greetings],

Tomorrow you will participate in our research study about “Employee engagement in Corporate Social Responsibility strategy-making”. The purpose of this study is to understand the perceptions of Swedish SMEs managers on how their employees are engaged in the formulation of CSR strategies.

Before your participation, we would like to give you an overview of the content. We do this to make the interview smoother, less time consuming and more focused. The topics we will bring up during the interview are:

• Your firm’s understanding about CSR
• The process of CSR strategy-making in your company
• How CSR is communicated in your firm
• Identification of the most important stakeholder groups for your company
• The role of stakeholder engagement with CSR strategy making

We would like to mention again that your participation in this study is completely voluntary and anonymous on your request. Please let us know if you want to be granted anonymity of your data when processed and written in the subsequent report.

In return for your participation, we would like to offer you the full report of our study when it is finalized.

Kind regards,

Jens Woestenburg & Raquel Steffler Machado
Appendix 2 - Interview guide

Prior to interview start – Key points

- Make our identity clear to the respondent and state that the research is being conducted for Umeå University.
- Indicate what the research is about in broad terms and explain why the respondent has been selected
- Provide reassurance about the confidentiality and that no sensitive information related to the company will be covered
- Make clear that the study is voluntary, and the participant can withdraw from the interview at any given point and ask if the interview can be recorded.

General information
Interview setting, Date and time
Place of Interviewer and Interviewee
Company Name, Name of interviewee, Position in the company
Number of Employees, Company age

Intro: SMEs
Could you please tell us a little bit about the business? How many employees? How many years have you been in the company?

Theme: Corporate Social Responsibility
Goal: Getting a general understanding of what the participant SME sees as CSR
2) Do you believe it is important to be socially responsible? Why?
3) Are you currently performing some activities to address socially responsible issues? If yes, what are these?
4) What was the motivation behind it? (Spence, 2007, 536; Lepoutre & Heene, 2006, p. 260; Vo et al., 2015)

Theme: SMEs & CSR strategy-making
Goal: Understanding the CSR strategy-making in the company
5) Do you have formal strategies related to social responsibility? (Carroll, 2015, p. 95; Jenkins 2006). What are these?
6) Do you see any advantages or disadvantages to developing strategies related to social responsible initiatives because you are a SME? (Freisleben, 2011; Sweeney, 2007; Jenkins, 2006; Jenkins, 2009)

Theme: CSR Communication in SMEs
Goal: understand the communication role in the engagement process
7) Do you have any communication in place to convey your responsible initiatives? (Morsing & Schultz, 2006; Lee et al., 2016; Jenkins., 2004) (sustainable reports, ethical guidelines, social media, different content on the website…)
8) What do your stakeholders think about your CSR initiatives? (Morsing & Schultz, 2006) (follow up: how do you know?)
9) Do you think is beneficial to receive stakeholder feedback about socially responsible matters?
10) What do you do with their response/ this information that you get? (Morsing & Schultz, 2006)

**Theme: Employees’ role in SMEs**

**Goal: Identifying most important stakeholder groups in SMEs**


12) Who do you see as the most influential stakeholder group for the CSR initiatives?

13) How would you describe the role of employees in your company?

**Theme: Stakeholder Engagement focused on Employees**

**Goal: Exploring employee engagement with CSR strategy-making in SMEs**

14) Are your employees concerned about CSR? What are these concerns?

15) How do you know their concerns?

16) Do you think it is important to engage them in the decision-making of socially responsible matters?

17) Do you see any advantages/disadvantages of engaging your employees in the process of developing CSR strategies? If yes, what are these? (Prahalad & Ramaswamy, 2004, p. 6; Miles et al., 2006, p. 196; Sloan, 2009; Trapp, 2014, p. 45)

18) Are there specific activities or practices your company undertakes that aim to engage the employees with CSR strategy? (If yes, ask to formulate further, if no ask why)

a. How often do these activities happen?

b. What do you expect from these activities?

c. How are these activities evaluated/perceived by employees?

d. What outcomes do you see from these activities?

e. What would you like to achieve as a result of these activities?

Well, we think that we have asked all the questions… do you have anything else you would like to add?

Is it ok if we contact you later on in case we have further questions?

Thank you so much for your participation!
Appendix 3 – Expert Interview guide

CSR in SMEs
What do you understand about CSR?
What is the profile of the companies you work with? Are there many SMEs that contact Esam to get some help?
What are their concerns when they approach Esam?
What is the knowledge that they are looking after?
Do you see that SMEs understand CSR?
Do you believe that SMEs have advantages or disadvantages when it comes to CRS due to their size?
When SMEs approach Esam, do they have established/formal CSR strategies already?

Stakeholder Engagement
What do you understand about stakeholder engagement?
Do you believe the companies you work with understand stakeholder engagement?
Who do you talk to when you are initiating a new project for companies? (Is it just the CEO/decision-maker?) Do you also talk to other stakeholders?
Do you talk to employees? Why, why not?
Do you think it would add value to talk with them?
Do you know how SMEs employees respond to the CSR strategy?
Do you think it is important to engage employees in the decision-making of socially responsible matters?
Do you see any advantages/disadvantages of engaging employees in the process of developing CSR strategies?
Have you worked with activities that promote stakeholder engagement in firms?

Communication
What kind of communication strategy does Esam advise companies to convey their socially responsible initiatives? Is it focused internally, externally?

Well, we think that we have asked all the questions… do you have anything else you would like to add?
Is it ok if we contact you later on in case we have further questions?
Thank you so much for your participation!
# Appendix 4 – Overview SMEs

## CSR for SMEs

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<tr>
<th>Respondents</th>
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<tbody>
<tr>
<td>CSR is present, but SMEs are not always aware</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>CSR is rather informal and on an ad hoc basis</td>
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<td>Lack of structured knowledge for a formal CSR strategy</td>
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<tr>
<td>Bolted on business model</td>
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## CSR drivers

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<td>Personal owner-manager</td>
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## CSR strategy-making process

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## CSR communication

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<td>Less developed external CSR communication</td>
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<td>X</td>
<td>X</td>
<td>X</td>
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</tr>
<tr>
<td>Informal Internal communication through i.e. coffee talks and discussions</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Structured means of communication like town hall meetings, surveys or feedback</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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</tbody>
</table>

## Stakeholder mapping

<table>
<thead>
<tr>
<th>Respondents</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aware of the importance of stakeholders &amp; employees</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Aware of the influence and power of employees</td>
<td>X</td>
<td>X</td>
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</table>

## Stakeholder management focused on employees

<table>
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<th>Respondents</th>
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<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hard to understand employees’ needs and expectations</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Trust based</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Need the support on decisions</td>
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<td>X</td>
<td>X</td>
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<tr>
<td>Informational strategy</td>
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<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Response Strategy</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>X</td>
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<tr>
<td>Involvement Strategy</td>
<td>X</td>
<td>X</td>
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<td>X</td>
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## Stakeholder engagement

<table>
<thead>
<tr>
<th>Respondents</th>
<th>1</th>
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<th>4</th>
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<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal and unstructured</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>X</td>
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<tr>
<td>High willingness to engage employees in the CSR decisions</td>
<td>X</td>
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<td>Control Model</td>
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<tr>
<td>Collaboration Model</td>
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<td>X</td>
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<td>X</td>
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<tr>
<td>Employing Strategic Conversations</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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