Commitment to Social Responsibility, Reporting on Social Responsibility, and Social Innovation in For-Profit Businesses

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Abstract

Social responsibility has gained momentum as an important topic for academics, practitioners, and policymakers, spurred notably by a growing interest in defining and crossing boundaries between for-profit business activities and stakeholder interests. While, the literature on corporate social responsibility (CSR) focuses mostly on large firms with little attention paid to small and medium-sized enterprises (SMEs), the need to explore SMEs' social responsibility activities has been highlighted. SMEs can address multiple stakeholder groups through corporate social responsibility as a means to improve relationships with these stakeholders. The goal of this dissertation is to examine for-profit businesses' commitment to social responsibility and how such commitment is embodied in activities that can lead not only to social value, but also to differentiation, competitive advantage, and performance.

This dissertation consists of three papers with a common theme of social responsibility. The first paper is explorative in nature and presents an in-depth case study of an SME taking its first steps towards social responsibility. The second and third papers are based on the theoretical framework of the three attributes of stakeholder theory: descriptive, instrumental, and normative. The second paper examines reporting on social responsibility in SMEs, its nature and the motivations that drive reporting and how this relates to the three attributes of stakeholder theory. An important distinction is made between firms that have implemented a formal social responsibility strategy and those that have not. The third paper investigates the relationships among firms' commitment to social responsibility, reporting on social responsibility, social innovation, and customer acceptance. This paper makes an important distinction between the "doing" side of social responsibility, by focusing on social innovation, and the "saying" side, by considering reporting on social responsibility.

The findings of the research offer insight into what motivates firms to commit to social responsibility and report on their commitments. Furthermore, it highlights that to gain performance benefits, firms need to go beyond commitment and reporting and enact their social responsibility, for example, through social innovation.

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1 Introduction

The debate about the concept of *corporate social responsibility* (CSR) has been progressing since the 1950s (Bowen, 1953; Carroll, 2016; Levitt, 1958). The debate stems from a perceived need for improvements in societies, communities, or particular stakeholder groups, which could be brought about, to some extent, by for-profit businesses' activities and values (Carroll et al., 2012). Meanwhile, skeptics level accusations of "greenwashing whereby companies disclose positive environmental actions while concealing negative ones to create a misleadingly positive impression" (Marquis et al., 2016, p. 2). Despite widespread acceptance of CSR by governments, societies, and the general public, businesses' motivations are still called into question (Bice, 2017). The primary goal of this dissertation is to contribute to understanding through observing and analyzing firms' CSR practices. The focus is on motivations for, implementation of, and performance outcomes of CSR practices undertaken to improve stakeholder relationships, namely commitment to CSR, CSR reporting, and social innovation. The primary theoretical foundation for this work is stakeholder theory and the three attributes of stakeholder theory, the descriptive, instrumental and normative. The descriptive stance describes how managers act and the impact firms can have on the wider environment. The instrumental stance is concerned with achievement of objectives, i.e., growth and profitability, while the normative stance can be described as a specific approach to moral obligation and stakeholders are treated.

CSR has gained considerable attention across several domains of the business literature, including management (Clements & Sense, 2010; Drucker, 1987), strategy (Carroll, 1999; Lee, 2008; Porter & Kramer, 2011; Oritz-Avram, 2018), marketing (Balmer, 2009; Hildebrand, et al., 2011), economics (Carroll, 1979, 1991; Matten & Moon, 2008; Rindova et al., 2005), and innovation (Hellström, 2004). CSR also features in the discourse in a range of other scientific fields, including urban and regional development (Moulaert et al., 2005), public policy (Guth, 2005; Neumeier, 2012; Pot & Vaas, 2008), social psychology (Mumford, 2002), and social entrepreneurship (Lettice & Parekh, 2010; Mulgan et al., 2007; Short et al., 2009). CSR has grown from being marginalized in the literature to being a widely recognized concept among business scholars (Lee, 2008; Yin & Jamali, 2016). There has been a noticeable shift in theoretical orientation and research on CSR to a focus on normative, strategic, and performance-oriented research (Aguinis & Glavas, 2012; Bondy et al., 2012; Matten & Moon, 2008; Yin & Jamali, 2016).

Existing research has shown that firms' CSR can improve their performance (Peloza & Shang, 2011; Spitzeck & Hansen, 2010), their reputation (Agarwal et al., 2018; Saedi et al., 2015), their legitimacy (Deephouse & Carter, 2005), their value (Lourenco et al., 2014; Jeong et al., 2018), and their financial performance (Callan & Thomas, 2009; Hou, 2019; Sánchez & Sotorrío, 2007). Furthermore, CSR has been found to improve stakeholder relationship management (Foote et al., 2010; Mishra & Suar, 2010; Waddock & Graves, 1997), increase transparency and accountability (Hossain & Alam, 2016; Kim, 2019), and sustainable business practices (Harrison et al., 2010; Henry et al., 2019; Kline & Hauff, 2009). The awareness and popularity of CSR are growing among stakeholders and influence their assessments of firms' activities (Perrini & Minoja, 2008; Taghian et al., 2015). Firms' ability to plan and monitor their CSR (Oliveira et al., 2019) starts to grow when they have devoted time and effort to making their CSR commitment visible, thus starting a conversation with their stakeholders about their CSR activities. Consequently, firms may envision advantages and growth (Saedi et al., 2015) in pursuing CSR as part of their efforts to cultivate stakeholder patronage and meet stakeholder expectations (Bhattacharya & Sen, 2003; Carroll & Shabana, 2010).

A firm's underlying motivation to pursue CSR and commit to CSR "is the degree to which … [it] values the needs of both its shareholders and its broader set of key stakeholders, and attempts to fulfill those needs" (Dare, 2016, p. 91). Managers and employees may perceive stakeholder demands as a source of pressure, which helps explain why firms view their commitment to their stakeholders as fulfilling an essential business role (Dare, 2016). Firms' CSR commitments may shed light on valuable resources, provide insurance against business failure (Minor, 2010; Mishra, 2017) and signal quality that heightens responsibility and differentiation (Waddock & Graves, 1997; McWilliams & Siegel, 2001; Boehe & Cruz, 2010). Thus, firms may be driven to inform stakeholders about their CSR in strategic fashion (Boyd et al., 2010; Taghian et al., 2015), while they "pursue goals in addition to profit maximization and responsibility among a firm's stakeholders to hold the firm accountable for its actions." (Werther & Chandler, 2011, p. 5).

1.1 Purpose of the research

This research develops insights into how owners/managers of SMEs perceive and enact CSR. In so doing, it acknowledges and seeks to better understand the importance of SMEs in the economic and social environment (Jenkins, 2004; Laplume et al., 2008; Lähdesmäki et al., 2019). The research increases our understanding of managers' mental models, by which they make sense of business objectives and activities and development of social responsibility. It contributes to an understanding of SMEs' motivations for committing to, and reporting on, social responsibility, which center on a desire to enhance relationships with their stakeholders.

The dissertation consists of three papers that, although independent, share a view of social responsibility and how social responsibility can be communicated to stakeholders and can lead to improved business performance. Three research questions guide the work:

RQ1: How can a focus on social responsibility help overcome the misalignment of stakeholders' mental models?

RQ2: How do SMEs report on their social responsibility and why do they do so?

RQ3: How do commitment to social responsibility, reporting on social responsibility and social innovation contribute to business performance?

Paper 1 addresses the first research question through an in-depth study of the challenges of a professional service firm before, during and after a period of major change. It draws on the literature on professional service firms and focuses on the misalignment of stakeholders' mental models and how this was mitigated through the development of a clear and articulated service concept with social responsibility at its core.

The insights gained in the single case study undertaken in Paper 1, were used as a foundation for Paper 2. Paper 2 uses the three attributes of stakeholder theory as its theoretical framework and examines how the three attributes, the instrumental, the normative and the descriptive, relate to how SMEs report on their social responsibility. This is done using a multiple case study of SMEs in two countries. Paper 2 offers evidence of firm's motivations to integrate social responsibility into their business activities, whether formally or informally. The informal approach is aligned with the instrumental stakeholder stance, which is strategic and growth-oriented. In contrast, the formal approach is aligned with the normative stance. The results from Paper 2 formed the basis for including both commitment to social responsibility and reporting on social responsibility in the research model for Paper 3.

Paper 3 examines the relationships between and among commitment to social responsibility, reporting on social responsibility, social innovation and customer acceptance. Like in Paper 2, this work draws on the three attributes of stakeholder theory and operationalizes them in a research model, which is tested using survey data and quantitative methods. In doing so, it responds to calls for quantitative tests of the relationships between social responsibility and performance.

1.2 Core concepts

1.2.1. Corporate social responsibility (CSR)

Recognizing the importance of precise definition of key terms, this dissertation adopts the definition of CSR offered by van der Wiele et al. (2001): "*the obligation of the firm to use its resources in ways to benefit society, through committed participation as a member of society, taking into account the society at large, and improving welfare of society at large independently of direct gains of the company*" (p. 287). This definition resonates with the purpose of this research and the current debate about social responsibility, which emphasizes the need for long-term commitment and sustainable economic development. Meanwhile, this definition offers room for exploring a range of issues about how firms can increase value in their operations in parallel with contributing to the wellbeing of employees, the environment and society, directly or indirectly (Sheehy, 2015). CSR defines society in its broadest sense.

CSR is a term used for several overlapping concepts such as *corporate citizenship*, *business ethics*, *stakeholder management,* and *sustainability* (Carroll & Shabana, 2010), but the core purpose is to understand the relationship between business and society. These concepts are related, in that they are integrated by key underlying themes such as value, balance and accountability (Schwartz & Carroll 2008). Furthermore, these concepts are commonly encountered in the CSR debate and accepted in the academic literature (Carroll & Shabana 2010). CSR can be viewed as managers' reactions to stakeholder pressure (Ebner & Baumgartner, 2006). The CSR literature focuses on firms' policies and actions intended to fulfil stakeholder expectations about economic, social and environmental performance. Such policies are "influenced and implemented by actors at all levels of analysis, including institutional, organizational and individual" (Aguinis & Glavas, 2012, p. 933).

Managers are tasked with developing strategies that foster learning, networking and innovation (Jenkins, 2009) to determine how firms can become socially responsible, ecologically sustainable and economically competitive, but the link between CSR and sustainability is not always clear. The notion of the "triple bottom line" (Elkington, 1997) aligned toward sustainable business practices suggests that CSR strategy can be formulated to achieve sustainability goals (Harrison et al., 2010; Henry et al., 2019; Kline & Hauff, 2009).

1.2.2 Social innovation

Social innovation refers to how firms can solve social problems through the creation of new products or services (Kinder, 2010; Mulgan et al., 2007). Neumeier (2012, p.55) argues that *"social innovations are non-materials: their material outcomes are solely a supplementary* *result and they focus not on needs but on asset building"*. Along these lines, social innovation goes beyond the traditional business approach and entails the formulation of strategies to clarify social agendas reflected in the business-society dialogue, along with economic value (Wilson & Post, 2013).

Social innovation involves a shift in value propositions by which firms acknowledge that creating social and environmental value for their stakeholders should go hand-in-hand with the creation of economic value (Lenssen et al., 2014; Joyce et al., 2016). Paper 3 adopts the business perspective of innovation and examines social innovation in for-profit firms that "*broadens the scope of innovation beyond firm-centered production activities and collaboration networks, and emphasizes the social practices and processes that drive value creation and, more specifically, innovation"* (Vargo et al., 2015, p. 373). This dissertation adopts Phills et al.'s (2008) definition of social innovation as "*a novel solution to a social problem that is more effective, efficient, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals*" (p. 39). This includes an emphasis on the role of stakeholders' engagement and cooperation, which entail changes in values, beliefs and practices (Cajaiba-Santana, 2014; Russo-Spena et al., 2017) as new business opportunities that focus on social issues (Hockerts & Morsing 2008; van Tonder & Roberts-Lombard 2013) in for-profit firms.

1.2.3 Mental models

Mental models represent how people understand the world and predict and solve problems (Gentner & Stevens, 1983; Johnson-Laird, 1983; Kempton et al., 1994). The focus in this dissertation is on understanding managers' mental models by which they assess internal and external stakeholders (Basu & Palazzo, 2008; Mitchell et al., 1997). There has been some research that focuses on firms' external CSR activities (Campbell, 2006; Greening & Gray, 1994; Jones, 1995) as well as on internal factors with a focus on the individual level and how managers make sense of the world (Basu & Palzzo, 2008). Aguinis and Glavas (2012, p. 953) argue that there is scarcity of research at the individual (micro) level in CSR research. Even though *"CSR takes place at the organisational level of analysis', it is 'individual actors… who actually strategise, make decisions and execute CSR initiatives"* (see also Fassin et al., 2015, p. 434).

Werhane (2008, p. 464) argues that mental models can be understood as "*hypothetical constructs of the experience in question or scientific theories, they might be a schema that* *frames the experience, through which individuals process information, conduct experiments, and formulate theories".*

Morgan et al. (1992, p. 2050) point out that *"communicators need to know the nature and extent of a recipient knowledge and believe if they are to design messages that will not be dismissed, misinterpreted, or allowed to coexist with misconceptions"*. Paper 1 examines the mental models of managers, employees, and customers. Their mental models differ and are socially learned in part through the firm culture in its varying stages of maturity.

Managers' mental models can shed light on how they perceive business objectives and social responsibility (Basu & Palazzo, 2008). Gary et al. (2011, p. 569) define managers' mental models, as *"the simplified knowledge structures or cognitive representations of how the business environment works"*. Mental models have been shown to play an important role in firm performance (Barr et al., 1992; Gary et al., 2012; Reger & Palmer, 1996; Walsh, 1995), as articulated by Pfeffer (2005, p. 128) *"what we do comes from what and how we think"*.

1.3 Research positioning

This dissertation's central theme is the exploration of aspects of CSR, namely commitment to CSR, reporting on CSR, and social innovation. The research is based on stakeholder theory (Freeman, 1984) and, in particular, the three attributes of stakeholder theory as proposed by Mason and Simmons (2014). The dissertation aligns with the literature on social responsibility and calls for improved legitimacy (Bebbington et al., 2009) and stakeholder trust (Coombs & Holladay, 2011). Furthermore, it builds on, and increases our understanding of the connections between social responsibility and social innovation (Adams & Hess, 2008; van der Have & Rubalcaba, 2016), one hand, and social responsibility and reporting about socially responsible activities (Carroll & Beiler, 1975; Jackson & Apostolakou, 2010; Nekhili et al., 2017), on the other. Through analysis of qualitative and quantitative data, this research offers valuable insights and advances understanding and knowledge about social responsibility.

1.4 Summary of papers

This dissertation is made up of three papers, two of which is already published and a third which has been accepted for publication. The papers are referred to as Paper 1, Paper 2 and Paper 3, respectively.

Paper 1 reports on an in-depth single case study and explores a small firm's early steps towards social responsibility. Paper 2 is also explorative; a multiple case study of reporting on social responsibility in small to medium sized enterprises (SMEs). Papers 1 and 2 use qualitative research methods. Paper 3 uses quantitative research methods to test relationships among firms' commitment to social responsibility, their reporting on social responsibility, social innovation and performance. The papers are independent of each other, and since each has been through the peer-review process to a greater or lesser extent, they differ somewhat in character, style and positioning.

Paper 1 presents an in-depth narrative analysis of a single case study of a small professional service firm undergoing substantial changes during a period of rapid growth. The narrative was developed by four researchers, who are also the four authors of the paper, using multiple interviews and various resources such as company data, on-site investigation and observation. The research started in 2008 before the changes began. The focus on social responsibility and the firm's communication of social responsibility activities started in the following year and evolved during my 13-month secondment within the firm, where I was in daily contact with managers and employees. My involvement mainly focused on the development of social responsibility within the firm. Paper 1 explores how the focal firm's early commitment to social responsibility became a vehicle to manage change while also serving to clarify the firm's service concept.

Based on the work done for Paper 1, the research protocol used in the multiple case study in Paper 2 was developed. Paper 2 explores how SMEs report on social responsibility and provides insight and understanding of what motivates firms to pursue social responsibility and to report on social responsibility activities. This is done against the backdrop of the descriptive, instrumental, and normative attributes of stakeholder theory.

Following from the two pieces of explorative research conducted in Papers 1 and 2, Paper 3 reports on quantitative survey-based research that examines relationships among commitment to social responsibility, reporting on social responsibility, social innovation and firm performance. As such, Paper 3 provides an important empirical confirmation of the performance benefits of social responsibility.

1.3 Structure of the dissertation

Following the introduction, Chapter 2 delineates the theoretical background of the research, including discussion and introduction of key concepts, and elaborates on the overall research project. Chapter 3 presents the study's methodology, and Chapter 4 consists of the three stand-alone papers (Papers 1, 2, and 3). Chapter 5 then discusses the implication of this research with respect to theory and practice, and limitations and directions for future research.

2 Literature review

2.1 Corporate social responsibility (CSR) introduced and defined

2.1.1 Historical overview and the origins of CSR

From a historical perspective, CSR can be traced back to a commitment to social responsibility by businessmen living in the late 1800s (Heald, 1957). For these businessmen, the social responsibility focus was on philanthropy and financial support of employees (Heald, 1957; Kristofferson et al., 2005). The term CSR used in the context of business-government relationships can be traced back to the early twentieth century (Carroll et al., 2012), but, as a field of practice, the debate started to emerge at the beginning of the 1950s and can be traced to the influence of Bowen's (1953) book entitled "*Social responsibility of the Businessman*". The idea that corporations should assume responsibilities beyond the requirements owed to their shareholders had an impact on corporations in the early 1960s, which led to a better understanding of social responsibility (Bowen, 1953; Thompson & Smith, 1991). Moreover, public awareness to four social movements (civil rights, the environment, consumer rights, and women's rights) in the 1950s also influenced business (Carroll & Brown, 2018). These four social movements brought public expectations about business to the fore, in addition to the standard returns on investments expected by shareholders.

Increasing attention paid to ethical policies and social responsibility raised questions among managers, including about potential threats or benefits to business (Levitt, 1958). Bowen (1953) argued that businessmen should make decisions and pursue policies in line with social responsibility, resulting in actions creating benefits for society. Bowen (1953) used two important terms to refer to social responsibility—stewardship, and trusteeship. The term stewardship refers to the responsibility of business owners: "Those who own property have the duty of using and administering it, not exclusively for their purpose, but in ways that will serve the needs of the whole society." Trusteeship implies that "the owner is a trustee accountable to God and society" (Bowen, 1953, p. 33). Accountability to God and society are strong words, but the meaning was clear: businesses must be responsible for any aspect of the business operating within society. Research on CSR before 1960 focused on philanthropic action (Frederick, 2006; Moura-Leite et al., 2012) but research with a broader focus emerged in the 1960s.

Davis (1960) refers to social responsibility as "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest. Social responsibilities of businessmen need to be commensurate with their social power" (p. 70-71). Davis's definition reflects contemporary ideas about social responsibility, i.e., that organizations should use their power not only to grow the business but should assume at least some responsibility to society. Jones (1980) was concerned with stakeholder groups; he asserted "that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract" (p. 59-60). Jones (1980) described CSR obligation as something that must be "voluntarily adopted" and as "extending beyond the traditional duty to shareholders to other social groups such as customers, employees, suppliers, and neighboring communities" (p. 59-60).

A transitional period that resulted in defining social responsibility into what is currently known as CSR started to evolve through the academic literature in the 1970s and beyond and ideas about how firms align CSR into their business practices gradually emerged (Carroll, 1999; Carroll & Shabana, 2010; Lee, 2008). A more current understanding of CSR is equally concerned with stakeholders' and shareholders' value and reflect interest in ethical issues while also taking into account the bottom line that gives equal weight to economic, environmental, and social dimensions (Aguinis, 2011; Aguinis & Glavas, 2012; Ashrafi et al., 2018). This is the basic premise underlying what has been referred to as the *triple bottom line* (Elkington, 1997), which adopts a holistic view of firms' activities (Ashrafi et al., 2018; Sarkar & Searcy, 2016). The triple bottom line was developed by Elkington (1997) as a framework explicitly based on the integration of the economic, social and environmental aspects of business (Alhaddi, 2015; Goel, 2010), which can influence performance and competitiveness across industry sectors and countries (Schaltegger & Wagner, 2017). A consensus about businesses' responsibilities in the areas of human rights, labor rights, environmental principles and anti-corruption has emerged (Wickert & Risi, 2019). Currently, CSR remains a prominent theme in the academic literature and business practices (Carroll & Shabana, 2010) and can be seen as an umbrella term that describes how firms of all sizes integrate social, environmental and economic responsibilities into their value chain in collaboration with relevant stakeholders (Wickert & Risi, 2019). Thus, the future of CSR is marked by evolution that is likely to combine CSR with strategy, sustainability, and the generation of shared value (Agudelo et al., 2018).

2.1.2 Definition of CSR

Firms are encouraged to behave in a socially responsible manner (Welford & Frost, 2006) and consider a range of issues that incorporate their responsibility toward their stakeholders. An abundance of definitions has been introduced to the debate, but there is currently no agreement. Wickert and Risi (2019) argue that there is a lack of agreement about firms' role in society and how social responsibility should be addressed and what precisely these responsibilities mean to stakeholders inside and outside of the firm. This indicates a lack of understanding of what CSR is (e.g., Carroll, 1979; Wood, 1991), how firms integrate it into their activities (McWilliams, 2001), and the underlying mechanism of how firms relate CSR activities to society (Donaldson & Dunfee, 1994; Swanson, 1999).

A range of terms have been used, such as corporate social performance, sustainability and sustainable development, stakeholder theory and responsible business (Waddock, 2004) that reflect firms' responsibility towards employees (Beltagui et al., 2016; Greenwood, 2007; Khoury et al., 1999), the environment (Yin & Jamali, 2016; Taghian et al., 2015) and customers (Khoury et al., 1999; Sheehy, 2014). There is a general consensus that firms must meet the expectations of society when planning their management strategies (Gössling & Vocht, 2007; Saeidi et al., 2015). However, despite widespread acceptance of CSR by societies, businesses and governments, the conceptual and methodological challenges remain considerable (Bice, 2017) and complicated by similarity in use of practices and concepts (Bice, 2017; Melé, 2008). Thus, CSR is essentially a contested term that is defined differently by different groups and different contexts and made complex by the multiple actors involved (Matten & Moon, 2008; Wickert & Risi, 2019; Sheehy, 2014). Dahlsrud (2008) identified and analyzed 37 different definitions of CSR, highlighting the various dimensions most of these definitions had in common: stakeholder, social, economic, voluntariness, and environmental, thus reflecting the then current state of the CSR debate as an initiative that is voluntarily adopted and goes beyond the requirements of laws and regulations. Despite an abundance of available definitions that cover a wide range of issues, this dissertation focuses on firms' CSR activities, which are intended to support further improvements of business and its motives, thus, highlighting CSR as a "framework for the role of business in society' (Davies, 2003, p. 306)".

2.1.3 Formally defined CSR strategy

One can argue that all businesses should be socially responsible because societies increasingly expect them to be (Bice, 2017; Harvey & Bice, 2014). A formally defined CSR strategy implies action and should be operationalized in terms of particular actions designed to meet legal requirements, be ethical, and socially responsible. Husted and Allen (2001, p. 3) argue that a formal CSR strategy encompasses "plans, investments and actions put into practice by a company within the scope of attaining sustained competitive advantages and, simultaneously, better social and economic performances." However, stakeholders may be sceptical about firms' propensity to engage in CSR (McWilliams et al., 2006), which can undermine their confidence and expectations regarding firms successful CSR initiatives (Berger-Walliser & Scott, 2018; Mohr et al., 2001).

A formal CSR strategy refers to a firm's intention to develop a strategy that is deliberately formalized (Mintzberg & Waters, 1985) to reflect CSR activities. The core purpose of developing and implementing a formal CSR strategy is to create accountability for business activities both internally and externally, thus aligning CSR activities to the firm's stakeholders. Marques-Mendes et al. (2016, p. 364) suggest that "strategic CSR contemplates the existence of convergence between the social, environmental and economic benefits produced by a firm and attained through social and environmental investments in the key factors of success within the respective competitive context, thereby fostering a competitive advantage: a set of activities that are simultaneously good for the company and the society". Furthermore, a formal CSR strategy can be seen as the highest level of integration that reflects the consistency of policies and instruments implemented to measure and certify the firm's CSR strategy.

2.1.4 CSR in SMEs

In the case of CSR in SMEs, this dissertation relates to CSR in the context of SMEs, their motivations, commitment to CSR and implementation of strategies that can lead to competitive advantage and firm performance. Although SMEs constitute around 95% of private-sector companies their existence is often overlooked in favor of large firms (Spence, 2016). This dissertation uses the definition provided by the European Union, which defines SMEs as "enterprises with no more than 250 employees that either has the annual turnover of less than 50 million euro or the yearly balance sheet not exceeding 43 million euro" (European Union, 2015, p. 10). To give an example of an alternative definition, the Global Reporting Initiative, commonly referred to as GRI, propose SMEs as enterprises "with a maximum of 250-1000 employees and turnover of up to 50 million euro" (Global Reporting Initiative, 2014, p. 3). In the debate on the importance of CSR reporting, i.e. developing frameworks that would foster CSR reporting and sustainability specifically in SMEs, some authors argue that the GRI and the Sustainability Integrated Guidelines for Management may not be suitable for SMEs due to their complexity (Arena & Azzone, 2012; Klovienė & Speziale, 2015; Perrini & Tencati, 2006).

Despite a rise in research on CSR in SMEs, the focus has mainly been on large firms. Larger firms' CSR practices are seen as being more advanced in their approach while research on CSR in SMEs points to their lack of resources (Jamali et al. 2009; Martinez-Conesa et al., 2017; Vives, 2005) and often socially responsible without knowing it (Jenkins, 2004; Longo et al., 2005; Perrini, 2006; Raynard & Forstater, 2002; Roberts et al., 2006). Indeed, SMEs and large firms differ in terms of the amount of resources available, level of involvement and stakeholder prioritization, importance of managerial values, strategies and drivers (Coppa & Sriramesh, 2013). Research on SMEs is important because their approach to CSR is different from that of large firms (Spence & Rutherfoord, 2003) in terms being independent, informal, and lacking in financial resources (Spence, 1999). SMEs are seen as "potentially quicker on their feet" and that they respond to market issues and changes more rapidly, owing to the debate that they are able to take advantage of economic changes (Sarbutts 2003, p. 346), less hierarchical and bureaucratic than large firms and more likely to adopt flexible and flat management structure (Soundararajan et al., 2018). Furthermore, as argued by Spence and Bourlakis (2009), SMEs are less likely to implement formal codes of conduct, auditing, sustainability reports and standards. Thus, SMEs are expected to be informal in communicating CSR commitment and emphasize word-of-mouth communication rather than formal reporting initiatives (Lähdesmäki et al., 2019).

CSR is often presented as a process of implementation and change towards sustainability (Benn et al., 2006; Ingham & Havard, 2015; Lozano, 2015; Lozano et al., 2016). CSR implementations in SMEs are approached from different points of view in which drivers internal to the firm deal with internal stakeholders such as employees and drivers external to the firm are concerned with stakeholders' relationships outside of the firm (Lozano, 2015). SMEs differ from large firms in structure and SMEs owners or managers are typically highly involved in daily operations, and they are more likely to operate in a close relationship to the regional community (O'Connor et al., 2017). Furthermore, SMEs are expected to have a higher level of social support than large firms (O'Connor et al., 2017), which derives from less structured management approaches (Jenkins, 2006; Spence & Lozano, 2000), stakeholder engagement (Jenkins, 2004), and flexibility (Gibb, 2000).

CSR integration can lead to innovation and "development of something new, be it intentional or not, that improves performance in the three dimensions – i.e. environmental, economic and social – of sustainable development" (Szekely & Strebel, 2013, p. 468). From the viewpoint of strategic planning, SMEs are seen as lacking strategy related to CSR in their daily business activities, which is likely to result in a patchy way through emergent, rather than deliberate, processes (Egels-Zandén, 2017; Jamali et al., 2009; Mintzberg & Waters, 1985) and, thus, need a gradual approach to overcome barriers to change and develop strategies that can result in the integration of CSR commitment (Vives, 2005). Despite the SMEs patchy processes their approach to perform key functions of the company (Spence & Lozano, 2000) is reinforced in the tendency of being "inherently doers, doing what is important, not writing or talking about them" (Fassin, 2008, p. 370) and is reflected in their ability to adapt, being creative, innovative and flexible (Egels-Zandén, 2017; Jenkins, 2006; von Weltzien Hoivik & Melé, 2009).

2.1.5 Formal CSR strategies in SMEs

SMEs may be engaged in a wide range of CSR activities but may lack procedures, access to resources, and knowledge to formulate these as CSR and report on them as such. Soundararajan et al. (2018) argue that SMEs understand and do engage in formalized CSR, but the implementation of formal CSR strategies in SMEs becomes a barrier because it requires additional resource, such as knowledge (Ferenhof et al., 2014) and specific capabilities (Martín-Tapia et al., 2014; Ortiz-Avram et al., 2018) that SMEs may lack. Ortiz-Avram et al. (2018) argue that "formalized CSR mechanisms put some burdens on SMEs that they are very often not able to manage by themselves" (p. 263). Furthermore, SMEs may commit to CSR practices, such as economic, environmental, and social dimension, required by stakeholders and improve reputation, but the majority of SMEs do not engage in formal communication and report on it (Luken, & Stares, 2005; Madsen & Ulhoi, 2016; Salimzadeh & Courvisanos, 2015).

In summary, the literature on CSR in SMEs has focused primarily on conflicting evidence and SMEs' impact compared to their larger counterparts, failure to engage in CSR activities (Jenkins, 2004), and lack of recourses and strategy (Bocquet, 2019; Stoian & Gilman, 2017). However, studies on CSR in SMEs are moving forward as they are seen as important from an economic perspective and make up a large part of the world's economies (Lee & Herold, 2015). SMEs have been found to be flexible and entrepreneurial by nature; in general, they share an ability to respond to problems faster than large firms can and deploy specific characteristics and capabilities that enable them to operate and develop CSR strategies.

2.1.6 CSR reporting

Gray et al. (1996, p. 3) define CSR reporting as "the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and society at large." CSR reporting can include elements of self-presentation and impression management to satisfy various stakeholders (Hooghiemstra, 2000; Patten, 2002; Snider et al., 2003). Khan et al. (2018, p. 3) indicate that CSR reporting activities "are only slowly gaining advocacy and largely remain in an underdeveloped form." However, in recent years an increase in CSR reporting has become more prevalent at national and global levels (Golob & Bartlett, 2007; Tschopp & Huefner, 2015), both formal and informal (Khan et al., 2018; Russo & Tencati, 2009).

CSR reporting is generally targeted at stakeholders and is intended to "provide information regarding a company's economic, environmental and social performance" (Carroll & Shabana, 2010, p. 99). Practical motives sometimes drive CSR reporting, which is seen as a potential means of gaining improved performance and competitive advantage (e.g., Battaglia et al., 2015; Bebbington et al., 2009; Husted & Salazar, 2006; McWilliams et al., 2006; Tang et al., 2012; Lim & Greenwood, 2017). Increased stakeholder expectations may lead firms to adopt more formal CSR strategies and increase their CSR reporting in efforts to gain credibility (Donaldson & Dunfee, 1994; Wickert et al., 2016), which is likely to lead to more deliberate CSR management (Beske et al., 2008; Burritt & Saka, 2006; Morsing, 2006; Perrini, 2006; Seuring et al., 2004; Vallentin, 2009; Von Hauff & Kleine, 2006).

Reporting on CSR is sometimes viewed as being synonymous with the triple bottom line (Mark-Herbert & Von Schantz, 2007; Norman & MacDonald, 2004). Through CSR reporting, firms acknowledge and respond to pressure from stakeholders by getting the message out about their CSR activities and their triple bottom line performance (Van Marrewijk, 2001). Lim and Greenwood (2017, p. 775) argue that communication about CSR is important in achieving firm's "CSR goals that are both directly and indirectly related to a firm's bottom line." Furthermore, reporting on CSR signals a firm's commitment—expressed in statements about societal and environmental dimensions, problems, and challenges—thus emphasizing responsibilities that go beyond required law or regulation (Ashrafi et al., 2018; McWilliams et al., 2006; Pintea, 2015). As such, CSR reporting is expected to contribute to a more positive reputation (Colleoni, 2013; Michelon, 2011; Othman et al., 2011; Pérez, 2015). This can drive firms to communicate their CSR messages through a variety of means, including social, environmental, and sustainability reporting, firm websites, media announcements, and advertising (Perks et al., 2013).

CSR reporting has gained increased momentum with the advent of the Internet, which has empowered audiences to demand more transparency and accountability from businesses. Transparency has been questioned in when there are suspicions that firms use CSR reporting to reinforce self-promotion, exaggerate or even present false information (Gatti et al., 2019; Lyon & Montgomery, 2013; Seele & Gatti, 2017). Organizational theorists consider transparency and consistency as an integral part of the CSR reporting agenda (Kim, 2019; Watts, 2015), and transparency is frequently discussed as an outcome measure of communication behaviours

(Ang et al., 2000; Beech & Crane, 1999) and as a mediator to create a level of communication or behaviours that affect performance outcomes (Braunstein, 1999).

2.1.7 CSR reporting in SMEs

Large organizations have heeded calls for greater transparency and accountability while SMEs have mainly remained invisible (Jenkins, 2004; Jenkins, 2009). Large organizations tend to report on CSR by using social reports, websites, social media, and advertising. Meanwhile, SMEs are often overlooked in favour of large firms' visibility (Soundararajan et al., 2018; Spence, 2016). SMEs play a vital role in society and the economy but little attention has been paid to how SMEs report on social responsibility (Parsa & Kouhy, 2008; Soundararajan et al., 2018) and even less is known about the integral part CSR reporting can play in SMEs' competitive strategies (Wickert et al., 2016). For instance, the more informal management that characterizes SMEs can create more chaotic working environments, which can lead to systematic disadvantages that hinder SMEs from meeting stakeholders' increasingly complex reporting expectations (Baumann-Pauly et al., 2013; Ram et al., 2001).

Managers' understanding of CSR has shifted from being considered a moral initiative (Bowen, 1953) to be considered an integral part of firm's strategy and success (Kotler & Lee, 2005; Ortiz-Avram et al., 2018). Integrating CSR reporting into strategy in SMEs implies that they have a particular role to play in achieving their goals toward CSR commitment to meet stakeholders' expectations. This can entail focusing on integrating the economic, environmental, and social dimensions—the triple bottom line (Hussain et al., 2018). SMEs can meet their stakeholder's expectations by integrating the triple bottom line with the firm's CSR strategy, which is likely to result in competitive advantage and differentiation (Panwar et al., 2016). However, managers of SMEs may prioritize one bottom line benefit over another, which can result in less attention to strategic improvements (Kumar et al., 2006; Matthews et al., 2019) and CSR reporting on the full range of the firm's commitment to social, environmental and economic responsibilities. Furthermore, SMEs have considerably fewer resources to integrate CSR reporting into strategy while their larger counterparts tend to adopt a formal measure for implementing CSR (e.g., certification, periodical reporting) (Ortiz-Avram, 2018). CSR reporting in SMEs is, therefore, likely to consist predominantly of informal *ad hoc* conversations with stakeholders (Baumann-Pauly et al., 2013; Fassin, 2008; Russo & Tencati, 2009; Wickert, 2016).

2.2 Stakeholder theory

Stakeholder theory and the related approach to business that it entails are the focus of R. Edward Freeman's 1984 book *Strategic Management – A Stakeholder Approach* that built on the works of Russell Ackoff, Eric Trist, Ian Mitroff, Richard Mason, and James Emshoff. Freeman's idea was to provide managers with a framework that would help them to develop new strategic directions, and identify opportunities to sustain their businesses in an evolving and turbulent business environment. Freeman (1984) stated that "current theories are inconsistent with both the quantity and kinds of changes that are occurring in the business environment of the 1980's…. A new conceptual framework is needed" (p. 5). The stakeholder term was introduced as a play on the word stockholder (Freeman & Velamuri, 2006). However, its meaning extends beyond the traditional meaning of the word's roots by defining stakeholders as "any group or individual who is affected by or can affect the achievement of an organization's objectives" (Freeman, 1984, p. 46).

Stakeholder theory appears as a central theme within the management literature that emphasizes a theoretical approach to the stakeholder model and stakeholder management (Carroll, 1979). Stakeholders, who can include customers, employees, suppliers, partners, governments, the environment, and society in general, have different needs, requirements, and expectations towards businesses. Furthermore, stakeholder theory reminds us that shareholders are among a businesses' stakeholders, but the stakeholders' relationships with businesses are not necessarily straightforward or easily understood. For example, while stakeholders can positively impact a business through increased demand, they can simultaneously mistrust the business (Mason & Simmons, 2014; Rupp et al., 2006).

2.3 The three attributes of stakeholder theory

Mason and Simmons (2014) refer to three attributes of stakeholder theory: namely, instrumental, descriptive, and normative attributes. They focus on limitations in the practice of corporate governance and developed a framework that balances effectiveness and equity expectations. The three attributes of stakeholder theory form an important foundation for this dissertation. This framework offers insight into the core thinking and challenges of social responsibility by taking into account what motivates firms to engage in and commit to CSR activities and develop a socially responsible agenda to meet stakeholder expectations.

2.3.1 Instrumental attribute of stakeholder theory

The instrumental attribute of stakeholder theory highlights the importance of identifying and connecting, or identifying the lack of connection between, stakeholder management and corporate objectives (Donaldson & Preston, 1995). Kaler (2003, p. 73) argues that adopting an instrumental approach "is an equally good or better way" to achieve a firm's objectives compared with other alternatives that focus on such bottom-line benefits. Firms adopting this stance communicate with their stakeholders to achieve bottom-line benefits such as increased efficiency, improved business performance, and competitive advantage. They view internal and external relationships (Brickson, 2007) as a means of producing social value to achieve economic results (Garriga & Melé, 2004).

2.3.2 Descriptive attribute of stakeholder theory

The descriptive attribute of stakeholder theory reflects actual practices and is concerned with "how the world is" (Egels-Zandén & Sandberg 2010, p. 37). The descriptive attribute of stakeholder theory contributes to the firm's competitive interests (Frynas & Yamahaki, 2016). As the term implies, descriptive attributes of stakeholder theory are mostly descriptions of a firm's motivation to compete, which may affect its processes and outcomes of the interaction between the firm and its stakeholders (Egels-Zandén & Sandberg, 2010; Jawahar & McLaughlin, 2001; Mitchell et al., 1997). From the viewpoint of descriptive attributes, firms prioritize their stakeholders, i.e., firms tend to prioritize their objectives based on the priorities they assign to their stakeholders and how their stakeholders relate to these objectives (Brickson, 2007).

2.3.3 Normative attribute of stakeholder theory

The normative approach refers to the domain of ethics (Freeman et al., 2010) in which stakeholder theory emphasizes social obligations as an essential requirement to help firms generate economic value to society (Garriga & Melé, 2004; Parmar et al., 2010). They are built based on trust (Jones, 1995; McWilliams & Siegel, 2001), take into account the interests of all stakeholders (Frynas & Yamahaki, 2016), and represent values and norms that are not externally imposed (Vaz et al., 2016). The normative stance rests on the ethical basis of stakeholder management (Mason & Simmons, 2014) to justify a view of CSR that is itself based on the notion of righteousness, i.e., firms practice good citizenship as the right thing to do (Drumwright, 1994; Garriga & Melé, 2004). The performance outcomes resulting from aligning with ethical business practices by adopting a normative stance are expected to be positive (Egels-Zandén & Sandberg, 2010). Thus, firms can adopt a normative stance coupled with an instrumental stance to improve performance and their relationships with their stakeholders. Furthermore, carving out the trade-offs between financial and social concerns requires a logic for balancing stakeholder interests, which can lead to sustainable profit and generate economic value for the firm and the society (Parmar et al., 2010).

2.4 Social innovation

Despite increased interest among academics, policymakers and business in linking innovation and social responsibility, which is commonly referred to as *social innovation*, the phenomenon is still ill understood (Garcia & Haddock, 2016; Marques et al., 2018). Some view social innovation as driven by social aims and mandates to improve the welfare of society (Borzaga & Bodini, 2014; Cajaiba-Santana, 2014; Graddy-Reed & Feldman, 2015), while others see social innovation as a means to gain financial performance, thus “rebrand existing agendas in a way that is more appealing to stakeholders” (Marques et al., 2018, p. 497). Innovation is a crucial capability of the firm (Baden-Fuller, 1995; Nelson, 1991; Katila & Ahuja, 2002; Freeman & Soete, 1997). The term innovation, identified as a dimension of economic change by Schumpeter (1934), generally refers to “the profitable exploitation of ideas” through which firms maintain market position, seek new markets, and gain competitive advantage (Stewart & Fenn, 2006, p. 173). Innovation is believed to have an impact on how firms change and operate to create opportunities that help them to achieve social value that can result in further improvements and competitive advantage (Herrera, 2016), which in turn can lead to firm performance, growth and long-term value creation (De Massis & Rovelli, 2018).

This is relevant to how firms can formulate innovation strategies that incorporate social intent (Herrera, 2016). The attention to the social dimension has gained momentum in the innovation discourse and research (Cajaiba-Santana, 2014). Moreover, the social element is highlighted in the Green Paper of Innovation developed by the European Commission as “Innovation is not just an economic mechanism or a technical process. It is above all a social phenomenon. (…) By its purpose, its effects, or its methods, innovation is thus intimately involved in the social conditions in which it is produced” (Cresson et al., 1995, p. 11).

Social innovation is gradually becoming an established term in business research (Carberry et al., 2019; Marques et al., 2018; Clements & Sense, 2010) and also appears in various other fields (Cajaiba-Santana, 2014), including public administration (Guth, 2005; Hébert & Link, 2006), social entrepreneurship (Lettice & Parekh, 2010; Mulgan et al., 2007; Short et al., 2009), and economics (Pol & Ville, 2009). However, despite this attention paid by academics and policymakers (Cajaiba-Santana, 2014; Choi & Majumdar, 2015; Pasricha & Rao, 2018), it still strives for acceptance and remains an underdeveloped (Cajaiba-Santana, 2014), elusive, and fragmented concept lacking the clear articulation of conceptual and practical implications (Grimm et al., 2013; Marques et al., 2018). However, the increased demand on firms to be more socially responsible suggests that social innovation has the potential to alter the structure of innovation systems, corporate identities, strategies, and employee motivation, thus challenging commonly accepted policy and management practices (van der Have & Rubalcaba, 2016). Thus, social innovation represents an emerging field of research, in which different and multidisciplinary approaches coexist (van der Have & Rubalcaba, 2016).

3 Methodology

This chapter describes the research methodologies used in the three papers. Papers 1 and 2 are based on exploratory qualitative research methods while Paper 3 uses a quantitative research methodology. The research as a whole respond to calls for research on firms' commitment to social responsibility, reporting on social responsibility, and the tangible activities that can result. The three papers should be viewed as independent pieces of research, each written for a different journal and each using a different research methodology. Paper 1 is an explorative piece intended to gain first insights into a firm's first steps towards social responsibility. The insights gained in Paper 1 provided the impetus for the work undertaken for Paper 2, which is based on a multiple case study of CSR reporting in SMEs. The research culminated in a quantitative survey-based study, which examines the relationships among commitment to social responsibility, reporting on social responsibility, social innovation and firm performance.

Strauss and Corbin (1990, p. 17) define qualitative research as "any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification." Whether research involves a single case or multiple cases, the process consists of analyzing, preparing, and organizing data by reducing it into themes and patterns through an iterative process comprised of labeling, coding, and abstraction. This process can be presented in figures, tables, or narratives (Creswell, 2007). Qualitative research typically consists of an iterative process involving data collection through interviews (i.e., words) and expressions of experience (e.g., social interactions and presentations) followed by analysis in which the researcher attempts to identify patterns and develop a sense of whole instances of a phenomenon as informed by those patterns (Levitt et al., 2018).

Qualitative research seeks to understand phenomena through the use of a naturalistic approach that attempts to gain understanding in a context-specific setting. A subject of analysis, such as social communities (e.g., families), organizations, or institutions, can comprise a single case (e.g., one firm). The researcher can start with observation and then formulate research questions and interview a number of people to gain a deeper understanding of operations inside a firm. Employing a multiple case study approach enables a researcher to explore and understand the differences and similarities among cases (Baxter & Jack, 2008; Stake, 1995), both within each situation and across situations (Yin, 2003). To gain deeper insight and understanding, the researcher seeks quality in an attempt to accept the complexity of a dynamic situation that can explain in detail the participant experience of the world "in harmony with the reader's experience" (Stake, 1978, p. 5).

Quantitative research is concerned with measuring relationships among variables and testing theories by developing hypothesis based on existing theory and prior empirical research and testing these hypotheses using statistical methods (Morgan, 2015). The approach of quantitative research is based on gathering information from a sample that can be inferred or generalized to a larger population. Plano et al. (2016) argue that combining qualitative and quantitative research methods allows a researcher to address research questions more completely (Greene & Caracelli, 1997). Thus, an important advantage of using multiple methods is that this can enable the researcher to cancel out or neutralize some of the disadvantages of particular methods, e.g., details of qualitative data can provide insight that is not available through general quantitative surveys (Jick, 1979). The multiple methods employed are among the strengths of this research (Guetterman & Fetters, 2018). Table 1 provides an overview of the research methodologies applied in the three papers.

Table 1. Research methodologies applied in the papers.

	Type of research	Methodology applied to the research
Paper 1	Qualitative research based on a single case study	Data included interviews conducted over a period of change within the focal case, observation, and archival data such as web sites and internal documents. A narrative methodology was adopted to gain an in-depth understanding of the interpretations of a variety of players. The researchers acted as storytellers and interpreters of facts and events.
Paper 2	Qualitative research based on a multiple case study	Data were gathered using interviews with managers of 15 SMEs, which were identified using snowball sampling. Data analysis evolved through an iterative process of within-case coding and analysis, cross-case coding and comparative analysis. Data included interviews, observation, email communication, and telephone conversations.
Paper 3	Quantitative research based on survey data	Data were collected from 355 managers of for-profit firms in a broad range of sectors using an online survey (12% response rate). The data were analysed using structural equation modelling.

Whether research is based on qualitative or quantitative research methods, both are fundamentally important but represent different inquiry paradigms as stated by Eisner (1991, p. 30-31):

"There is a kind of continuum that moves from the fictional that is "true"—the novel for example—to the highly controlled and quantitatively described scientific experiment. Work at either end of this continuum has the capacity to inform significantly. Qualitative research and evaluation are located toward the fictive end of the continuum without being fictional in the narrow sense of the term".

3.1 Qualitative research strategy

Qualitative research methods were used for Papers 1 and 2 to develop in-depth insights on a relatively small scale. For Paper 1, a single case study was conducted. Single case studies focus on understanding the underlying mechanisms present in a single setting (Eisenhardt, 1989) and enable the researcher to study multiple strategic changes within a single firm. The research conducted for Paper 1 might be classed as action research, since I was present within the case firm for over one year. In action research the researcher acts within an organization or a community to seek consistent improvement or knowledge to define a problem (Greenwood & Levin, 1998). Greenwood and Levine (1998, p.122) define action research as "systematic and oriented around analysis of data whose answers require the gathering and analysis of data and the generation of interpretations directly tested in the field of action.” Inductive ethnographic qualitative research was conducted to explore the expansion of a professional service firm during change precipitated by a merger with another company. For in-depth understanding and insight of critical events during the change, narrative descriptions based on recorded and transcribed semi-structured and open-ended interviews were constructed and analyzed to gain insight and understanding of the dynamics present in the single setting (Eisenhardt, 1989).

There is a fine line between being too detailed and too general in forming research questions for a qualitative research protocol (Creswell, 2012). Thus, a pilot case can help to clarify these questions and provide the researcher with valuable information prior to conducting the initial case research. Indeed, this approach was taken in Paper 2, where a pilot case was used to identify potential variables for further development of the research. After the pilot study was performed, a multiple case study was conducted according to the criteria for qualitative research methods (Eisenhardt, 1989; Miles & Huberman, 1994; Yin, 2013).

Semi-structured interviews with open-ended questions were conducted with managers in SMEs using snowball sampling (Hosmer, 1995). Snowball sampling occurs when a research participant recommends or tells researchers about another, potential participant who might meet the criteria used to recruit participants in the research study (Merriam, 2009). Employing a semi-structured interview protocol with open-ended questions implies that participants are allowed to elaborate on questions and clarify answers (Creswell, 2014). Furthermore, a relaxed atmosphere was created by initiating interviews with specific questions and allowing participants to answer without any constraints being applied (Creswell, 2014; Yin, 2011). All interviews were recorded and transcribed, including telephone conversations; a collection of the firms’ documents, promotional materials, and email communications were collected and analyzed; and follow-up interviews were conducted to gain additional insight (Johl & Renganathan, 2010). Interviews were added until the point where saturation was deemed to have been reached, as recommended by Merriam and Tisdell (2015) and Strauss and Corbin (1990).

To increase confidence in the findings for Paper 2, I enlisted the help of my supervisor to code the data independently followed by joint work to reach consensus (Eisenhardt, 1989). Data analysis commenced with within-case coding and then proceeded to cross-case coding, as recommended by Gioia et al. (2013). To reach a high level of inter-rater reliability, multiple rounds of coding by two researchers were conducted, and NVivo-QSR International was used to identify emerging concepts in text transcripts. Collaborative cross-case analysis was also conducted using the comparative analysis method recommended by Ragin (2014).

In performing research, the procedures employed to ensure the validity and reliability of findings must be clearly stated (Morse et al., 2002). Different approaches are employed by researchers to reach a level of validity in qualitative research (e.g., Lincoln & Guba, 1985; Maxwell, 1996; Merriam, 1998), including triangulation, peer reviews, and external audits, all designed to answer the question "why one procedure might be selected for use by researchers over other procedures" (Creswell & Miller, 2000, p. 124).

The validity of qualitative research can be assessed from the perspectives of internal and external validity. It takes into account the researcher's particular lens and how long the researcher has remained in the field, whether saturation has been met to establish themes and categories, and whether the data analysis has evolved into a compelling narrative by returning to the data "over and over again to see if the constructs, categories, explanations, and interpretations make sense" (Patton, 1980, p. 339).

The single case study described in Paper 1 involved the use of narrative methods with the researchers acting as storytellers. The case study was related to the literature and involved a critical reflection of theoretical concepts. Alternative viewpoints of events and descriptions of every-day life were included to clarify the informants' particular perspectives. The ethnographic approach, research design, data collection, and theoretical explanation evolved as the study progressed. Confidentiality and the researcher's role and perspective were explained thoroughly, with all participants agreeing to the process. Paper 2 describes a multiple case study (Eisenhardt, 1989; Yin, 2013), which started with a pilot case study to identify potential variables for selection of the cases to be included in the primary research.

Potential researcher bias may arise from selective collection and recording of data, and interpretation based on personal perspectives, which can happen and needs to be considered in the case of interviews. The risk of such bias was reduced in Papers 1 and Paper 2 because in both cases the research involved data analysis by more than one researcher (Bryman, 2001). Multiple data sources were used, including interview transcripts, follow up interviews, email communication and telephone conversation. Cross-checking information and conclusions using various research techniques to access multiple procedures of sources is likely to increase validity (Johnson, 1997). Reliability can be reached through using interview data in addition to other resources that can be confirmed by revisiting previously coded data (Roberts, 1999) such as “intensive engagement with the data – moving backwards and forwards between the data and interpretation of it-and making firm links between interpretations and the data by, for example, using verbatim examples of participants’ comments in written accounts of the findings, can all increase reliability and readability“ (Roberts et al., 2006, p. 44). All interviews were recorded and transcribed. The cases were selected based on the assumption that a particular group of cases could provide enough data to be collected until information-gathering reached saturation (Lincoln & Guba, 1985). Thus, cases were added until the level of saturation was reached, as recommended by Merriam and Tisdell (2015) and Strauss and Corbin (1990), to ensure external validity, thus also making possible future replication and transferability of findings.

In Paper 1, careful steps were followed to gain an in-depth understanding and to ensure the acceptability of the interpretation through multiple rounds of data analysis and collaborative narrative building. All four authors of Paper 1 participated in data collection, although to varying degrees, and all four were involved in agreeing to the results of the coding and analysis. Furthermore, the resulting narratives were sent to interview participants for comments, which were used to refine the narratives as appropriate.

In Paper 2, analysis by two researchers working independently helped ensure reliability (Weber, 1990). Cross-case analysis using the comparative analysis method recommended by Ragin (2014) were conducted to compare multiple cases and involved a dialog between researchers (Armstrong et al., 1997). The dialog between two researchers served to better analyze the interpretation of the coding and to reach consensus on the descriptions, the reasons, and the relation of the variables used to explain CSR reporting relative to the descriptive, instrumental, and normative attributes of stakeholder theory. Any disagreement was resolved through discussion.

3.2 Quantitative research strategy

Paper 3 used a quantitative research methodology using survey data collected from managers of European firms using an online survey. A total of 2958 managers were contacted and asked to participate in a survey. 355 usable responses were collected, representing a 12% response rate, which is considered acceptable for an internet survey (Krosnick, 1999; Manfreda et al., 2008). Despite the declining response rate in web surveys (Tourangeau et al., 2013), they nonetheless represent the “prevailing type of survey data collection” most likely to ensure data quality, by reducing social desirability bias, interview bias, and coding errors (Callegaro et al., 2015, p. 4). Based on the guidelines offered by Kline (2011), the goal was to obtain at least 300 usable responses. Assuming at least a 10% response rate it was necessary to contact about 3000 firms to reach that goal. The sample was drawn from publicly available national registries, The Polish Business Register and The Danish Central Business Register, that provide complete lists of firms from a variety of different sectors. The goal was to gather data from a large sample of firms to enable testing of relationships between social responsibility commitment, social innovation, social responsibility reporting, and performance.

The data were analyzed using Stata version 14.2. Exploratory factor analysis with Varimax rotation was conducted followed by confirmatory factor analysis. The measurement model was tested, and yielded good fit statistics (Shah & Goldstein, 2006) with a $\chi 2$ of 158 (82 degrees of freedom), a root mean squared error of approximation (RMSEA) of 0.07 and a comparative fit index (CFI) of 0.95.

Multicollinearity, a state which can occur when two or more predictor variables are highly correlated, can cause unreliable results from analysis. However, with the relatively large sample size and composite reliabilities that all exceeded the generally accepted cut-off threshold of 0.7 (Bagozzi & Yin, 1988), multicollinearity was not likely a problem.

Common method bias may arise when data are collected from single respondents. In developing a survey for single respondents, Podsakoff et al. (2003) recommend a number of ways to reduce the risk of common method bias, such a promising anonymity. Respondents are believed to be less likely to select socially acceptable, but inaccurate, responses if they are secure in their anonymity. Items measuring a variable unrelated to the research model were included in the survey to test for common method bias (Bagozzi, 2011; Lindell & Whitney, 2001). When these items were included in factor analysis, they loaded on a separate variable with no cross-loadings on other variables. Finally, a Harman's test was conducted, which resulted in the expected multiple factors with no single factor accounting for the majority of the covariance. Together, these tests provide reasonable confidence that the data did not suffer from common method bias.

Internal validity was achieved in multiple ways. First, participants were contacted by phone to confirm participation in the survey, which was then sent to them. This helped ensure that surveys were filled in by persons qualified to do so. Second, hypotheses relevant to the concept were deduced from theories related to the concepts relevant to each hypothesis. Third, the effect of firm size was controlled for (Galbreath, 2018; Wu, 2006), since this characteristic is believed to affect the relationship between social responsibility and performance (Robins & Wiersema, 1995). Similarly, business-level strategies were felt to likely influence the model variables (Galbraith & Schendel, 1983; Woo & Cooper, 1981), thus prompting the inclusion of two additional control variables: investment in R&D and investment in sales and marketing. Finally, to increase external validity and generalizability of findings, the data were collected from two European countries and were drawn from a broad variety of sectors.

The three papers that form the basis for this dissertation will now be introduced. Paper 1 "*Articulating the service concept in professional service firms*" has been published in the Journal of Service Management. Paper 1 represents an exploratory single case study approach. This paper aimed to study a single case in-depth to explore and gain an understanding of a small firm's early steps towards social responsibility. This seemed a worthwhile pursuit in the early stages of my research, and I had a unique opportunity to observe the firm in question over a long period. Paper 2 "*Conversations about social responsibility: CSR reporting in SMEs*" is currently under review for publication in the European Journal of International Management. Paper 2 is also explorative, a multiple case study of reporting on social responsibility in small to medium-sized enterprises (SMEs). Papers 1 and 2 use qualitative research methods. The insights gained from Paper 1 helped inform the research for Paper 2 and also the quantitative research in Paper 3. Paper 3 "*Saying and Doing: Social Responsibility Declared and Applied*" has been accepted for publication in Creativity and Innovation Management. Paper 3 uses quantitative research methods to test relationships among firm's commitment to social responsibility, their reporting on social responsibility, social innovation, and performance.

3.3 Empirical data

Table 2 provides and overview of the empirical data used in the three papers.

Table 2 Overview of empirical data.

	Sample	National context	Sector	Implication
Paper 1	A single case study involving interviews with owners, managers and employees as well as observation	United Kingdom	Technology-based professional services	Studying a single case in depth and over an extended period of time allowed for the development of valuable insights into how CSR comes into being in an SME.
Paper 2	Multiple case study involving interviews with managers	United Kingdom and Iceland	Service firms operating in various sectors	Drawing on the insights gained from the single case study (Paper 1), conducting a multiple case study made it possible to broaden understanding and systematically probe specifically motivations for CSR in SMEs and CSR reporting in SMEs.
Paper 3	Large sample of firms	Denmark and Poland	Firms operating in a broad range of sectors	Building on the insights gained from the qualitative research (Papers 1 and 2) it was appropriate to develop a research model for quantitative testing of relationships between CSR and performance.

3.4 Reflexive analysis

The subject of this research relates to my own keen life-long interest in environmental and social issues. I had the opportunity to start researching on this subject in my Master's research, where I studied the Icelandic energy cluster. The Icelandic energy cluster is unique and well known for its accomplishment in developing and integrating renewable energy resources into the country. The electricity produced in Iceland comes almost exclusively from renewable energy sources. When starting my PhD journey, I had the idea to continue with this line of inquiry. But things changed when I had the opportunity to join an EU-funded research project by going on a 13-month secondment at an SME in the UK.

Over the course of the secondment, I had the opportunity to examine the firm's activities first-hand. The owner-manager had some interest in, but little knowledge about, CSR and had decided to entrust this to a small team of younger employees. I was invited to join the team as an observer and participate in all meetings. The team was motivated and I started my engagement by meeting with them to talk about social responsibility in general and what it might mean for their firm. Thus, I had gained the trust needed to observe the meetings, ask questions and follow up on things during and after the meetings.

Furthermore, all the employees in the firm accepted my presence as a researcher. This helped me to access the employees in various ways, such as asking them to participate in interviews, which all agreed to do. It also helped me to approach them informally in meetings, and at social events.

Working on-site can be seen as an insider role, which is *"a powerful reflexive position used to gain deeper engagement and insight into participants' understanding of lived experience, which has always been part of the nature of qualitative research"* (Cooper & Regers, 2014, para. 2.1). Being in such a close relationship within the research setting can lead the researcher to become too attached and emotional to the setting, often referred to in social science as *going native*. To avoid that I was deliberate about consciously stepping back from the research setting to reflect on the firm's activities from the outside in.

As the research developed and the first steps in developing Paper 1 were taken, my supervisor suggested that we should involve two other researchers to join us in further analyzing the data and writing the paper. The core idea was to improve the quality and rigor of the methodological design, analysis and interpretation of the findings. Furthermore, involving different researchers was deemed appropriate because they might assess situations differently, which would increase understanding and strengthen validity (Malterud, 2001). Furthermore, the other researchers were able to step in for brief observation and interviews to gain insight and an overview of what was going on. This helped us to make sure that I was not getting too personal and integrated into the firm's activities and culture. Thus, the idea was to do what we could to minimize the danger of going native.

The group worked together on developing narratives to gain an in-depth understanding of the different interpretations and multiple perspectives. The interviews and the data were analyzed by the research group to improve the trustworthiness of the study and the findings. The data provided meaningful warranted interpretations of the events using three group narratives, those of the founder, the managing director and employees. Furthermore, we undertook to ask all interview participant to comment on the narratives developed for Paper 1 to ensure that the stories told were consistent with interviewees' views.

A qualitative multiple case study was conducted for Paper 2. I was not involved in any of the activities of the firms included nor had any prior relationships with the firms or the interviewees. Before the interviews, I had no preconceptions about the firms and the respondents. I recorded interviews and transcribed them. Analysis was conducted in systematic fashion.

Paper 3 is based on research on firms operating in a broad range of sectors in Denmark and Poland. I was not the one who contacted the managers to ask them to fill in the survey and in analyzing the data I did not have information about the firms' or the respondents' identities.

4 Papers

4.1 Paper 1: Articulating the service concept in professional service firms

Beltagui, A., Sigurdsson, K., Candi, M. and Riedel, J.C., 2017. Articulating the service concept in professional service firms. *Journal of Service Management*, 28(3), pp.593-616.

Articulating the service concept in professional service firms

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Abstract

Purpose – The purpose of this paper is to propose a solution to the challenges of professional service firms (PSF), which are referred to as cat herding, opaque quality and lack of process standardization. These result from misalignment in the mental pictures that managers, employees and customers have of the service. The study demonstrates how the process of articulating a shared service concept reduces these challenges.
Design/methodology/approach – A narrative methodology is used to analyze the perspectives of old management, new management and employees during organizational change in a PSF – a website design company growing to offer full-service branding. Group narratives are constructed using longitudinal data gathered through interviews and fieldwork, in order to compare the misaligned mental pictures and show the benefits of articulating the service concept.
Findings – Professional employees view growth and change as threats to their culture and practice, particularly when new management seeks to standardize processes. These threats are revealed to stem from misinterpretations caused by miscommunication of intentions and lack of participation in decision making. Articulating a shared service concept helps to align understanding and return the firm to equilibrium.
Research limitations/implications – The narrative methodology helps unpack conflicting perspectives, but is open to claims of subjectivity and misrepresentation. To ensure fairness and trustworthiness, informants were invited to review and approve the narratives.
Originality/value – The study contributes propositions related to the value of articulating a shared service concept as a means of minimizing the challenges of PSFs.

Keywords Narrative, Professional service firms, Cat herding, Service concept

Paper type Research paper

Introduction

The company was in the middle of an exciting transition. They were expanding their services from web development to also encompass print media, branding and just about anything their customers could need. The workforce had grown, almost overnight, from twelve to nearly forty. Everyone had been working hard for the last few months in cramped conditions before the company moved to a larger office. The new Managing Director could see everyone had been under a lot of stress. He wanted to make a grand gesture to help bring everyone together and to welcome the new recruits. It seemed like that was how things were done before, when the original Founder of the company was in charge. Everyone worked hard, but they all had fun. So the Managing Director

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decided to throw a birthday celebration in the office for one of the new people he had hired. There was food and champagne. Surely everyone would appreciate the gesture. Or so he thought. For the people who had been at the company almost from the start, this seemed to reinforce everything they thought. Things had changed. Before, everything was about people. They were respected as experienced professionals. Now they would be just cogs in the machine. Everything seemed to be about management and process. To add insult to injury, just the week before when one of the original employees had their 40th birthday all they got was a card and a small gift.

This paper examines the case of a professional service firm (PSF) referred to as ServCo. It focuses on a period of turbulent organizational change precipitated by a merger between ServCo and another company, whose owner was then appointed as ServCo's Managing Director (MD) to oversee an expansion in ServCo's services and client base. As illustrated by the vignette above, these changes were perceived differently by management and employees. This work attempts to diagnose the challenges by examining events using a narrative method that unpacks the events from three perspectives: those of the Founder (old management), MD (new management) and employees. During the changes, employees were involved in an exercise to define ServCo's responsibilities to employees, customers and the environment, resulting in the articulated service concept: "great services, delivered ethically[1]." The findings of this research lead to the proposition that developing a shared and articulated service concept (Goldstein *et al.*, 2002) helps to overcome some of the challenges identified in the literature on PSFs (von Nordenflycht, 2010).

Professional services have long been recognized as a distinct category of service. They are characterized by high labor content, high customization and high customer contact (Schmenner, 1986; Wemmerlöv, 1990). An additional characteristic is the presence of a professionalized workforce, i.e. employees whose knowledge, ethical codes and loyalties may be tied to professional bodies outside of the firm. This means the knowledge base and key resources of a PSF may lie outside the scope of managerial control. These characteristics combine to form three related challenges for managers in PSFs, referred to as cat herding, opaque quality and lack of process standardization (Maister, 1993; Løwendahl, 2005; Von Nordenflycht, 2010). Professional employees are knowledge workers, who value autonomy and cannot be easily controlled; their knowledge usually exceeds that of customers and managers, making the quality of their work difficult to see and measure. The high level of variation in services makes standardization and control of processes difficult. As the importance of knowledge workers and the prevalence of knowledge-based services increases, these challenges are becoming pertinent to managers in a broader range of service firms. In today's information-driven economy, service management increasingly involves harnessing the brains, not backs, of what Kelley (1985) refers to as gold-collar workers.

PSFs' challenges are exacerbated by organizational changes, which create additional friction between managers and professionals. Professionals demand participation in every aspect of decision making and do not appreciate interference. Unfortunately managers often take the wrong approach when they under-specify the strategic ends for a PSF and over-specify the operational means (Raelin, 1986). As firms grow in size, maintaining performance usually requires management systems to control resources, measure quality and standardize processes (Simons, 2000). Such changes typically generate tensions in organizations, because they are viewed by professionals as a threat to their legitimacy (Brown, 1998; Landau *et al.*, 2014). Understanding the consequences of organizational changes in PSFs requires an understanding of the social groups within the organization and how the events are viewed as part of competing narratives. These narratives represent the different interpretations that managers and professionals give to a sequence of events and can help to explain the reasons for tensions in the organization.

Services in general and professional services in particular are processes, or journeys, which are experienced differently by different people. In the absence of physical and objective form, individuals form a mental picture of the service (Clark *et al.*, 2000). The challenges of PSFs can be seen to arise when the mental pictures of managers, employees and customers diverge. The cat herding challenge stems from a misalignment that occurs when managers' mental picture of their role is that of controlling resources, but employees see themselves as autonomous. Løwendahl (2005) compares the challenge to playing chess with pieces that move themselves. Opaque quality results from misalignment of knowledge between employees and customers, which arises from differing mental pictures of the service. Lack of process standardization is, by definition, a challenge only if managers perceive the nature of the service as one that can be standardized, rather than entirely customized. This paper explores how aligning the mental pictures of managers, employees and customers can help overcome these challenges. In other words, creating a shared and articulated service concept (Goldstein *et al.*, 2002).

This work makes a number of important contributions. First, it contributes to the sparse literature on the service concept by conceptualizing the challenges of PSFs as misalignments in mental pictures of the service. Second, it contributes to knowledge on PSFs by examining these misaligned mental pictures through a narrative methodology. Finally, it offers implications for managers of PSFs by demonstrating how a shared and articulated service concept can help overcome the challenges of PSFs.

In the next section, the literature on PSFs and the service concept are reviewed to generate a research model. Next, the ethnographic data collection and narrative analysis methods used are explained. Data were collected using interviews at different stages and through a period of participant observation fieldwork by one of the research team members. The rich, qualitative data are presented in the form of three narratives, written in first person to explain the perspectives of old management, new management and employees. The discussion focuses on the salient issues of the case, drawing parallels with existing literature and demonstrating the value of the service concept in overcoming some of the challenges. Finally, a set of propositions is derived from the findings, from which directions for further research are developed.

Background

Professional services encompass activities as diverse as accounting, law, engineering consultancy, medicine, sports and social work (von Nordenflycht, 2010). The distinguishing feature of these services is their knowledge-intensive nature (Løwendahl *et al.*, 2001) and dependence upon expert talent (Teece, 2003). In most organizations, managers' strategic responsibilities concern controlling resources in search of competitive advantage. In PSFs, however, the key resource is knowledge, which is largely controlled by the employees (Løwendahl *et al.*, 2001). The knowledge is often tacit or may be drawn from sources outside of the organization. The experts themselves are often cosmopolitan (Raelin, 1986) in their career outlook, meaning that "carrot-and-stick" motivation typically fails (Kelley, 1985, p. 14). Threats of unemployment are ineffective since experts can rely on their talent to find new employment and extrinsic rewards are often secondary to the informality, autonomy and respect that they demand (Goodale *et al.*, 2008).

Unlike other firms, PSFs allow their resources to leave in the elevator every night and hope they return in the morning (Løwendahl, 2005). As a result, contractual lock-in is weak, but having great colleagues (Teece, 2003) or the freedom to choose how they work (Starbuck, 1992) motivates professionals. Employees in PSFs are pivotal in building and maintaining relationships with customers (Sieg *et al.*, 2012). Their importance puts them in a position to expect autonomy and informality in their working environment (von Nordenflycht, 2010). For managers, the result is referred to metaphorically as the cat herding challenge (von Nordenflycht, 2010).

The quality of any service can be difficult to assess prior to experiencing it (Harvey, 1998), but PSFs have an additional agency problem caused by a lack of understanding of service development and delivery processes (Goodale *et al.*, 2008). Unlike mass produced services such as fast food or dry cleaning, professional service customers usually have less understanding of their desired outcomes and simply emphasizing excellence in customer service may not be sufficient (Sweeney *et al.*, 2011). Customers may assess what they cannot see or understand by evaluating what they can, meaning that they look for clues in the experience to judge the quality of a professional service (Berry *et al.*, 2004). These can come from the way employees dress and behave, or the design of buildings and interiors. Customers and managers are therefore faced with the challenge of opaque quality.

Finally, professionals value the stimulation of solving problems, facing new challenges and working collaboratively with like-minded colleagues. This inverts the logic of traditional hierarchies, which follow Max Weber's idea that workers should apply standard operating procedures, while managers deal with exceptions that demand problem solving. In PSFs, standard operating procedures may not be effective (Kellogg and Nie, 1995) and challenging problems are solved by workers (professionals) not managers. This leads to the third challenge, a lack of process standardization.

Evolution of PSFs

PSFs vary, but the literature suggests that they follow a similar progression in their evolution and managerial responses to success. Løwendahl (2005) describes three approaches to strategic focus and resource control, which can be viewed as distinct forms of PSF, or a typical pattern of evolution, as shown in Figure 1. PSFs move from stage A, with a strategic focus on building client relations and control of resources is left to individual professionals, to stage B, with a focus on adapting ready solutions and controlling resources centrally. They may then settle on stage C, where there is more recognition of creative problem solving and more autonomous control of resources by teams of professionals.

Most PSFs start small, usually set up by an individual professional or a small group, who typically share similar characteristics, interests and educational backgrounds. In such circumstances, there is little need for strategy or systems for control (Simons, 2000). Knowledge resides in individuals who are usually incentivized financially (e.g. in partnerships, such as law firms) or socially through their connections with the group. The focus of a small PSF is typically on building client relations in order to secure ongoing projects (Stage A in Figure 1).

Strategic Focus / Resource Base	Client Relations	Creative Problem Solving	Adaptation of Ready Solutions
Organization Controlled Resource			Stage B Managers seek more control over resources and efficiency of output
Team-Based Individual and Collective		Stage C A balance is achieved between efficiency/creativity and control/autonomy	
Individually Controlled Resources	Stage A PSF controlled informally by professionals, emphasis on building relationships		

Source: Adapted from Løwendahl (2005)

Figure 1.
Stages in the evolution of PSFs

As the firm grows, however, a number of changes take place. First, coordination becomes more difficult so costs rise and greater process control begins to seem necessary (Lewis and Brown, 2012). Second, the dynamic relationship between the resource base and choice of clients becomes clear, making strategic planning seems necessary (Løwendahl *et al.*, 2001). The resources determine which clients' projects can be delivered, while the projects delivered determine the development of resources. Each project adds to the individual knowledge of the professionals who work on it and potentially adds to the collective knowledge of the firm (Nonaka and Takeuchi, 1995). The firm therefore seeks more complex or diverse projects to capitalize on and grow its knowledge base, while simultaneously seeking to codify this knowledge into routines that allow efficiency (Gilbert, 2005). This means PSFs often seek to place control of resources in the organization and move the strategic focus toward adaptation of ready solutions (Løwendahl, 2005). The change is from what Friedman (1977) refers to as responsible autonomy toward technical control, using Taylorist methods. Professionals accustomed to holding a position of strength are unlikely to welcome this change, even if they appreciate the reasons. Additionally, growth may require an increase in the workforce, which again alters the social dynamics in the firm. Stage B in Figure 1 represents a managerial view of the firm that may be misaligned with that of the professionals. A compromise between the two extremes in Stage C allows for knowledge to be shared by teams of individuals and, while seeking efficiency, allows for creativity of these individuals, rather than turning professional services into standard products (Jaakkola, 2011).

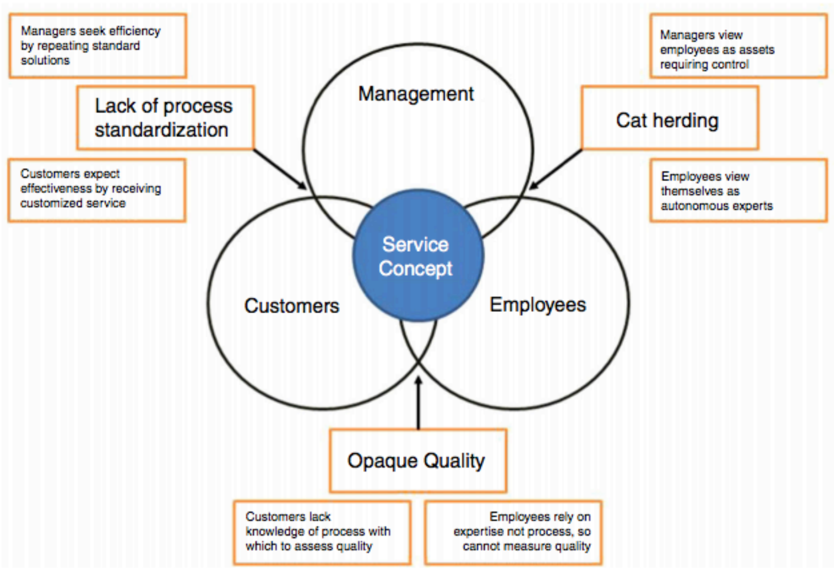
Maister (1993) categorizes PSFs as expertise based, which is comparable to Stage A, and routine based, which matches Stage B. Additionally, he discusses grey-hair-based PSFs that invite customers to "hire us because we have been through this before; we have practice at solving this type of problem" (p. 5). Like Løwendahl's (2005) Stage C, this allows a balance between the extremes of expertise based and routine based, leaving room for individual creativity, but seeking to better manage the knowledge of the firm through teams or some level of process.

The service concept

The term service concept was originally used by Sasser *et al.* (1978) to describe the bundle of implicit/explicit services and facilitating goods that are provided to customers. These elements are also commonly referred to as the service package (Roth and Menor, 2003). They help firms to understand the core content of their offerings as well as the operations and processes required to deliver them and the customer's experience of the outcome (Hakanen and Jaakkola, 2012). Customers view a service as an experience, rather than a collection of components. The exception is when service failure makes the components and their poor connections evident (Goldstein *et al.*, 2002). Clark *et al.* (2000) describe the service in the minds of customers and those who develop and deliver services. They describe a service concept as a mental picture that describes the experience offered by a service. From this perspective, service failure can be explained as a lack of alignment between strategic intent and customer expectations. For the purposes of this research, the service concept is seen as a missing link between the perspectives of management, employees and customers (Goldstein *et al.*, 2002). This is illustrated in Figure 2, in which the three challenges of PSFs are presented as misalignment between the mental pictures of management, employees and customers, respectively.

Parallels can be drawn with product development, in which misaligned mental models explain poor usability (Norman, 1990). For example, regulating the temperature of a refrigerator requires the user to understand the designer's mental model to know whether increasing the number means warmer (higher temperature) or colder (higher power output).

Based on prior literature (Goldstein *et al.*, 2002; Johnston *et al.*, 2011), the service concept is defined as a shared and articulated understanding of the nature of the service, its delivery and consumption.



Source: Based on Goldstein *et al.* (2002)

Figure 2.
The three challenges of PSFs (von Nordenflycht, 2010) result from misalignment in mental pictures

A simple offering can be described by its function (a kettle boils water, a bank account stores money) but more complex offerings need to be experienced to be understood (Levitt, 1981; Harvey, 1998). In professional services, information asymmetry means that customers and managers have little understanding of what employees do (Løwendahl, 2005). Furthermore, managers are restricted in their level of control over employees, so are expected to specify the ends, but allow employees to specify the means to achieve them (Raelin, 1986). Therefore, in PSFs, the employees may have an important role in developing, agreeing and upholding the service concept.

Research design

To explore the misalignments in mental pictures that drive the three challenges of PSFs and demonstrate how a shared and articulated service concept may help overcome them, a narrative method is used to explore the case of a PSF (ServCo) – which initially started as a website and software development firm and transitioned to a full-service marketing agency. Specifically, in von Nordenflycht's (2010) taxonomy, ServCo can be viewed as a technology developer, meaning that it faces all three challenges of cat herding, opaque quality and lack of process standardization, which are typically overcome through means such as alternative compensation, autonomy and informality.

Figure 3 shows a timeline of key events in the company's history. The research relationship commenced before the changes that the present research focuses on, through previous research on design and customer experience. During this time, two key events occurred. First, the merger of ServCo with another company, leading to the founder stepping down and appointing his new business partner as MD. Second, the definition of a service concept for the newly merged firm, conducted by a group of employees to capture ServCo's responsibilities to its customers, employees and the environment. The exercise resulted in a policy document listing responsibilities to customers that explain the concept of "great services, delivered ethically." In particular, however, the policy outlines the employees' demands for autonomy and informality in their workplace, which represents what they see as ethical.

Narrative methods

A single case study can offer depth of understanding, rather than scratching the surface of multiple cases (Dubois and Gadde, 2014). Although researchers often follow Eisenhardt's (1989) argument that multiple cases lead to better theory, Dyer and Wilkins' (1991) response is that single cases offer better stories. Stories add value because they do not merely present facts about events, but seek to infuse the facts with meaning – "paradoxically the inaccuracy, the distortion or even the lie in a story can offer a path toward the deeper truth it contains" (Gabriel, 2000, p. 135). All events and actions can have symbolic interpretations – for example, the difference between a twitch and a wink (Geertz, 1973). The approach used focuses on how these events are interpreted within each of the informants' narratives, giving different understandings of historical events. The main criteria for convincing readers with narratives are authenticity, plausibility and criticality (Golden-Biddle and Locke, 1993). This is achieved through thick descriptions that demonstrate understanding of everyday events in the lives of the informants, by relating the events to theoretical concepts from literature and by comparing alternative viewpoints to allow critical reflections.

Narratives are descriptions that provide stories of related events (Abbott, 1992). Their value in research comes from their acknowledgment of the identity of actors, the voice of the story-teller and the moral context (Pentland, 1999). The addition of these elements helps to clarify the particular perspective from which a sequence of events is understood. This in turn enables complex processes to be viewed from multiple perspectives and to improve the capacity for process theory development (Pentland, 1999). Narratives help researchers understand a sequence of events, how and why phenomena emerge, develop, grow or terminate over time (Langley *et al.*, 2013). Additionally, they allow analysis of the multiple competing, or conflicting, perspectives that co-exist in organizations and help to explain the underlying reasons they differ (Landau *et al.*, 2014).

To understand the conflicting mental pictures within ServCo, the timeline of critical events shown in Figure 3 was constructed and divided into the broad periods of before, during and after the change. The case data were analyzed by constructing group narratives (Brown, 1998; Narayanan *et al.*, 2009; Landau *et al.*, 2014). Interview and field data were used to describe the same events using three group narratives. The first narrative tells the story from the founder's perspective, the second from the new MD's and the third from the perspective of ServCo employees.

Although written in the first person, the three narratives were constructed by the research team, not the informants themselves. To ensure fairness and trustworthiness (Guba and Lincoln, 2005), preliminary versions were shared with informants so they could comment, add detail and correct any misinterpretations. These groups often compete for

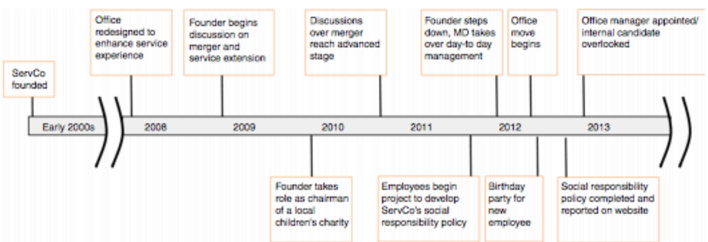


Figure 3.
Timeline showing key events for ServCo

legitimacy and power, particularly in PSFs, where managers and employees have differing perspectives. Therefore, an in-depth understanding of the behaviors and interactions within and between the groups is vital to understand the dynamics of the case.

Case and data collection

An ethnographic approach was used "to understand how culture is constructed and negotiated, particularly as a result of interactions between groups" (Chambers, 2003, p. 391). An overview of the methods employed is shown in Figure 4. In a process of systematic combining (Dubois and Gadde, 2002), the research design, data collection and theoretical explanations evolved in parallel as the study progressed. Semi-structured interviews with managers were recorded and transcribed throughout each of the three phases of the study – before, during and after the reported changes. Access was gained to management meetings and informal conversations with the founder took place at conferences and other occasions outside of the workplace.

A total of 36 interviews were recorded and transcribed. Such interviews provide a valuable source of analyzable data, but often actions and symbolic interaction reveal more than words. Organizations consist of groups of people who form communities and subcultures, reflected in their social interactions, behaviors and even the way they dress (Rosen, 1985). For this reason, the most important source of data about employees and their mental pictures was a 13-month continuous period of participant observation spanning phases 2 and 3. During this time, one member of the research team was based in the company and had daily contact with employees as well as participating in social events outside of the workplace. Semi-structured interviews were used to capture employees' views of the service concept, development of the social responsibility policy and relationships with the new management. Field notes and personal memos during the fieldwork were also used to understand their perspectives and construct the narratives.

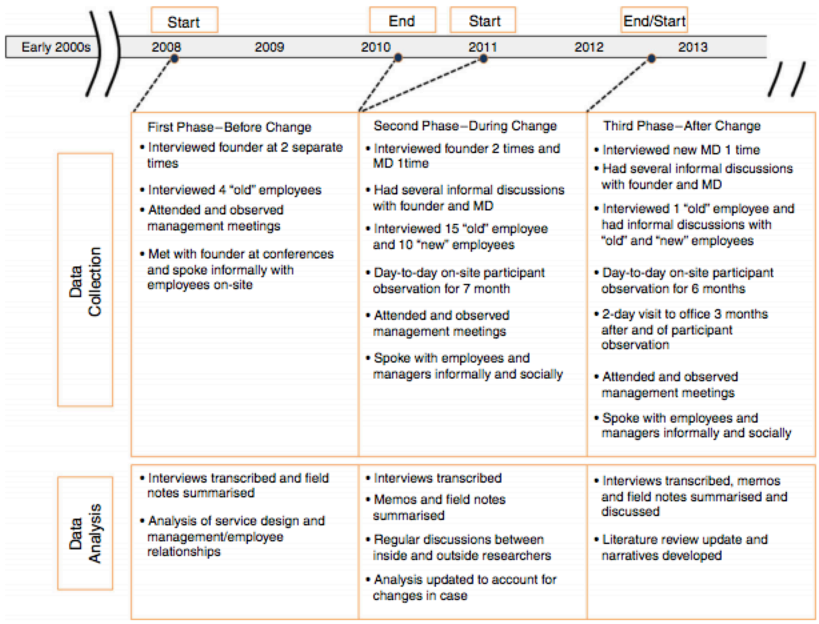


Figure 4.
Timeline showing data collection and analysis before, during and after changes in ServCo

Ethnographic research requires a high degree of contact between researchers and participants. Researchers risk becoming too close to the participants and losing sight of the academic and practitioner communities they intend to inform through their research. To guard against this risk of going native, all the researchers were generally present at different times so that all gained a unique viewpoint and together could reach a balanced perspective. During the ethnographic portion of the study, when one of the research team members was present full time, another member was based in another country and had no direct contact with the company. Thus, the inside and outside perspectives could be balanced during analysis.

Narrative case studies help to understand employees' reactions to managerial decisions. For example, Brown's (1998) study of resistance to the introduction of information systems in a hospital used group narratives to reveal the project as a threat to professional workers. While all of the groups shared the intention of improving patient care, poor communication of the project's goals led to adversarial tensions between developers and users. By analyzing the group narratives of those affected, the threat was diagnosed and could be resolved. The intent of the present study is to diagnose the managerial challenges in the case of ServCo and to provide recommendations for other PSFs experiencing growth.

Findings

The periods before, during and after the changes in management, size and scope of ServCo are examined from three different perspectives: those of the old management (the Founder), new management (MD) and employees. These perspectives are presented as narratives in the first person. Other than the direct quotations included, however, these narratives are not the words of the people observed. They were constructed by the research team for the purposes of analysis and presentation.

Old management (founder's) narrative

Before the change. I started ServCo because I saw an opportunity to offer a service as the internet was becoming more popular and potential customers knew they needed a website but did not know how to go about building one. I made use of my contacts (in the music industry) and I set up a company that treats customers and employees the way I think they should be treated. I believe ServCo can only be successful if employees and customers feel comfortable and happy. Most new customers come to us through word of mouth, because they know they need something but do not know what it is or have much technical understanding. The important thing was to build trust with customers so they refer people who trust them to ServCo. We offered a very personalized service, with a lot of contact between customers and our employees. New customers need to be convinced that ServCo is both technically very capable and can sustain a long-term relationship. We made sure they would get that impression, by designing everything that customers see and touch.

In the past, we always visited our customers to negotiate a project and get the sale. That was convenient for customers, but I did not feel we could control the customer's experience or really get them to trust us. The problem was the office we worked in was not one I was proud of or keen to show to customers. So after we had been there a few years and a new office space became available we moved. We spent a lot of money and put a lot of work into completely renovating and redesigning the new office, where we planned every detail to communicate something to customers, from the paper they touch to the fonts we use, to the cars sitting outside. It is all there to send a message. In the meeting room, we did not want to have any boring desks and chairs; we wanted customers to feel comfortable. So we have a coffee table and I had the sofas made "by the same lady who made my sofa at home" (Founder). The paintings on the wall have colors and images based on the company's branding.

Once the office was designed the way I wanted it, we started to make every effort to bring our customers here. We would pick them up from the train station, or wherever they are, because "we knew as soon as they stepped in here we would make a sale" (Founder).

The office was not just designed for customers; I also wanted to be sure employees had a comfortable working environment to keep them happy. The software developers and designers (they call themselves Geeks and Creatives) sit at the far end of the office, furthest from the customers. They usually dressed informally and worked how they wanted, but that just gave customers the impression of a young and vibrant company. Sales staff sat just beside the meeting room and they always dressed smartly, so customers could see we are a professional company that deals with serious businesses. We tried to get that balance right to show our ability and our trustworthiness. The sales people have a lot of technical knowledge, but they deliberately play it down when talking to customers, to avoid intimidating them. We made sure that all the documents as well as conversations would be free of any technical jargon. They would always talk customers through everything in a friendly way because we really wanted to build those long-term relationships.

What customers could see here was a creative, friendly and productive environment where people want to work. And that is because I took a lot of care to make sure we had the right people and treated them well. "The biggest issue in the company is staff happiness and wellbeing […] making money is actually really simple, you just get a bunch of good people and you make money, it's not rocket science […] [the biggest challenge is] looking after them" (Founder).

We recruited employees based on how well they would fit in with the team, not just on the basis of their qualifications. When I hire someone, I look at how they communicate in their application, how they conduct themselves in the interview, their musical tastes, and the feel of their handshake. I use my gut feeling as to whether they will fit in and I usually tell them after the interview or as soon as possible afterwards. I prefer to do things this way because customers see all of these qualities, they do not see the employee's CV. On our website, we had information about each team member, including animations of them playing their favorite sports or doing things that characterize them. That really helped to convey their personalities and show our sense of humor. It is really important that these personalities are compatible because I take employee satisfaction really seriously. Sometimes when everyone had been working really hard, I would take them out for dinner to reward them and keep them happy. I would usually just shout "stop working, we're going out!" because the office was small enough for everyone to hear. I also made sure we always had snacks in the kitchen and beer in the fridge, and I never saw them abuse that. We had a live video broadcast from our office, so customers could see everyone working hard and looking happy. And the employees were so proud of working here that I even saw one staff member showing their family around the office when I looked at the camera one weekend. I think in ten years we only had one person leaving.

During the change. Even though we have had several years of success, ServCo was probably not reaching its potential and needed to grow. Word of mouth was all very well, but we were very restricted to the local market and our social network. And furthermore, the competition was a lot tougher than when we started in the late 1990s. The next step for us really needed to be getting to know the larger customers that I knew were there, but just out of reach. To get to them, I thought we needed to expand the services we offered. I knew I could not do it on my own and needed help to grow the company, even if that meant doing things differently or letting someone else have more control. After a lot of discussion with another local business, I eventually agreed to sell equity in ServCo, to allow me to be less involved and let someone else take over. I thought he could really help the company grow and take us into the new markets that we were always trying to break into.

At the same time, I was starting to be more excited by other projects. We were running a training academy, to help young people get IT skills that would really make a difference in their lives. And I was starting to get more involved in charity work. I had always tried to help local charities, both individually and through ServCo, but to be honest I was starting to find that more rewarding than running the business. During the changes, I spent most of my time coordinating the new office and trying to make that a new home for ServCo. When I handed over control to the MD, I brought him in to the office and introduced him to the team. After that I started to spend more time on charity work.

While we were moving, there was an attempt to define our service concept. This came about as part of employee-led discussions on ServCo's social responsibility. I have always been aware of the company's responsibilities to its customers and to its employees. I never really thought of making money as an aim in life, but having money means you can share it and make people happy. So the idea of social responsibility appealed to me and seemed to be a good foundation on which to build our service concept. And because I trust our employees, I let them take the lead on developing our social responsibility policy.

After the change. It has been a tough time with all of the disruption and the new people coming in. I thought things would work ok and we would be able to maintain the same great atmosphere we have always had, but I realize now that things are not quite right. I have focused all of my attention on the new office, but maybe I should have spent more time with people, because I can see the MD did not quite get how we do things here. I did not realize there was anything wrong, but then we had an incident with a new appointment. The MD wanted to hire a new office manager, which seemed like a good idea, but the way we have always done things is to look after the people that have been loyal to us. Although there was never a guarantee of promotion, the unwritten rule was to offer opportunities for new positions to existing staff. When I heard that the MD had brought someone new in and had overlooked an internal candidate, I was so upset I came back early from a holiday to apologize to the employee. I will not tell you what was said, but I also had words with the MD about the matter. The problem is I realized people were upset about how things were going and not long after that, we lost one of our longest serving employees who decided to go to another company.

Despite these initial problems around the transition, ServCo is now doing well and it seems that managers and employees have rallied around the service concept that they helped to define: "great services, delivered ethically." However, we need to remain constantly vigilant about employees and their well-being because our services are delivered by these employees and a big part of delivering our services ethically is to treat our employees responsibly.

Narrative two – new management (MD's) perspective

Before the change. I knew ServCo was very successful at keeping its customers and its employees happy. I could see they did not lose many of either and that must have meant they were well run. I knew the founder had his own way of doing things and employees clearly bought into that – they enjoyed working for the company. What worried me was the very noticeable dependence on a single individual. In such a small company and in a small office where it is possible to shout from one side to other, maybe it works for the founder to be involved in everything and to actively lead employees. In a larger company – which ServCo aspires to become – that did not seem feasible.

What we needed was more reliance on processes, rather than strong personalities. That is exactly what I see as my role; to get the most out of the potential. The very personal approach was very successful with small customers, but to go after contracts with larger clients, a different approach would be needed. Corporate clients have higher expectations, they want to see demonstrations of capabilities and structure to assure them that the company knows what it is doing, it is not just about trusting individuals. "We did have a flat management structure when we were small […] now we are trying to put tiers of management in place […] we're just trying not to upset how it has been, the right people have been here a long time so we've got to move forward but trying to make sure no-one's nose is out of joint because we are expanding" (MD). To get where we needed to be, we needed clear lines of communication and employees had to be well organized to divide the work and deal with it efficiently. The way things were before, with the informal way of working, employees could be put under intense pressure when there were big projects for demanding clients.

What structure there was seemed to involve the sales people working as a buffer in client-facing roles. They would take all the flak and shield the developers and designers from all the pressures that come with customer contact. What I saw that ServCo needed was to expand this structure, with sales people acting as both account managers and line managers to the back-office employees. I was sure that having these clearly defined roles and reporting lines would help everyone to work better when we started to take on much larger projects, with more pressure.

During the change. We are a profitable, successful company and my role is to manage everything to make sure we maintain that, including staffing issues and winning new customers.

When I was taking over the day-to-day running of ServCo, my main aim was to improve the processes and structure. From my point of view, all of the work involved in moving to the new office seemed to be a distraction from serious business. Now that we have completed the move, we can mark that task as completed and put all of our focus on improving performance and bringing in new customers.

I can see the results of the office move are excellent and the office is going to make a big impression on customers, but I think "my eyes were taken off of business because of the office" (MD). I think with all of the changes going on, many people had difficulty adjusting. Unfortunately, some people were put under unnecessary pressure because they were asked to take on extra responsibilities during the move. Employees were expected to be very flexible to cope with the extra work, but that really is not sustainable. Instead I think we have to find the right people to fill the roles that are needed to balance everyone's workload. "If there is a new position that is needed, like our new office manager […] it's a great benefit to everyone here, but without him we were a bit more fraught" (MD).

When I hire employees, particularly for senior positions, I think the decision should be made carefully to make sure they are well qualified and able to contribute to improving the company. It is important to be thorough and that usually means using recruitment agencies. Even if they can be more expensive, they follow a process that ensures we make the right decisions. Unfortunately, I can see that not everyone appreciates my approach because hiring new people makes the existing employees feel their own positions have been affected. For example, when we appointed the office manager, I chose the applicant with the best qualifications. There was an internal candidate, but in my view he did not have the right skills and experience. When customers come to us, they expect a high standard of service and it is vital we do not disappoint them. The only way we can satisfy our customers is by having the best people with the right skills. Unfortunately, it seems that people expected that the job would be given to the internal candidate and a few people were a bit upset that it was not. I think we have always had an open door policy here, but staff may not always recognize it: "I believe that we could do more for the staff during the change, but we are still striving to settle in to the new premises, therefore, it is still a little bit chaotic" (MD). And the problem is, as we get bigger, people get a bit more distant, so I hope they will continue to have good communication but through their line managers.

One thing that helped to address the distance that people felt, was when employees started working to define our social responsibility. This was not something I had a big input into, but I can see that it helped everyone to develop a shared concept of the company and what makes it special. At first I thought social responsibility was all about recycling, but I can see that its more about how we treat our employees and how we behave ethically. "The services we provide are ethically oriented and this means that we put our focus on providing professional services that involve happier customers and staff […] if employees are happy it will benefit the company" (MD).

After the change. We always had a reputation for quality and for being a cool place to work. To maintain this, we need to "employ good and talented staff" (MD) and to keep them happy at work. I know "other companies don't look after staff very well" (MD) but we definitely do not fall into that category. We do our best to make people feel welcome so they enjoy coming to work. There are many things the staff here have always done, like going out together or celebrating birthdays in the office. I thought I would welcome one of the new employees by having a birthday celebration. That seemed a nice way to make the new and old staff feel like part of the same team. Things have been stressful but I think they will start to get better soon. "We've put the people in, but they are not quite synched. The whole picture will pick up speed […] [after some time] all the cogs, instead of bashing, will all be working together […] I can see it happening in the next few months" (MD).

Narrative three – employees' perspective

Before the change. For us, working for ServCo has always meant being part of a community with no difference between people in different roles. We have always valued the friendly, informal environment at work and that came directly from the trust and respect we were given by the founder. He valued our technical skills to do our jobs but also treated us as individuals with our own creative abilities. We have always felt able to express our creativity because of the environment where in which we worked. The office was nicely designed and fun to work in. Maybe that was because most people were a similar age, had similar interests and even the same taste in music. Like, even if we did not have the radio on when we were working, sometimes someone would start singing and we would all join in. That is just the way things were and the founder let us get on with it, he even encouraged us to have fun.

We had a very flat management structure and for the Creatives and Geeks at least, there was very little pressure from customers. Those of us doing sales were responsible for explaining options, negotiating contracts and writing specifications. Then, we would all work together to deliver on the specs. Having said that, sometimes we knew the customers so well they would phone people directly when they needed something. So in fact the relationship was not always customer supplier, sometimes customers were also part of our community. The great atmosphere was something that everyone could see, even outside. "Customers talk about the workplace and you can appeal to new clients and people through good reputation. It also applies if you are looking for new staff, it can work as a massive benefit" (Old Employee).

During the change. Even if things were great the way they were, we could understand why the founder felt we needed to grow. Still, when he came in one day and announced that the MD was in charge now, a lot of us felt really confused. We just did not expect so much to change so suddenly. Most of us had been here for a long time and had earned the trust and respect of the founder and customers. So all of the changes really disrupted that and put us in a bad position. And after being such a close-knit little group, we felt we really needed to keep the culture we have here. "The new people we have brought in need to adapt to the culture here, so it should be talked about more and people should know about it. That's how we probably can keep the culture here alive" (Old Employee). The culture was all of the things that we were used to here, the informal relations with customers, the relaxed work environment and most of all the trust and respect.

Unfortunately, many of the new people are just different. They do not have the same interests or like the same music. And you can see a difference between the two groups – Old and New – even in the seating arrangements. The new employees were all sitting near the MD, they are his people. When he threw a big party for one of the new people, a lot of us were upset. We always had our birthday tradition – a card, a small gift and singing happy birthday, but he did not really seem to make a fuss, even when one of the old employees had their 40th birthday a few months after we moved into the new office. When one of the new people had their birthday though, the MD definitely made a big fuss. That was way over the top, but I guess it shows who his favorites are.

New employees could see there was something special about working here too, but unlike us, they could not see that things were quite quickly changing and we were losing a lot of the culture. "The clients seem happy and talk about the great experience they feel when here, so it seems to be working quite well. I mean it all seems to be working, if the strategy is in place to make everyone happy [customers and employees] it seems to be working" (New Employee). For the new employees, it seemed like there is more trust given to employees, compared to other places they worked, where they had pressure and a more hierarchical structure. But for us, it seemed like we were going the wrong way and we were getting more and more formal in everything. We were getting further away from what made ServCo a great place to work.

The new employees were happy to have more processes, like for them it was normal, they thought we were just unhappy because things were changing. "As I have been told the structure in this company was much more open and free of barriers, but I only know this company with these levels of management structure and it is not bothering me. There are always people who don't like changes in every organization, but changes are necessary" (New Employee). For those of us who had been here the longest, all of these formal processes just took all of the enjoyment out of working here. We did not really see the point and just seemed like the MD was trying to complicate things unnecessarily: "I am not a kind of a process-driven person and I like to keep things simple, but my opinion is that if everything is driven by processes […] it will lose its power and uniqueness and become bureaucratic. And that is definitely not a company I want to work for and I think that the majority of staff, especially the old staff, agree with me" (Old Employee).

For many of us, it seemed like the MD simply did not trust us as much as the founder did, he wanted to have more control over everything we do. The problem is that it seems like everything we valued is being pushed out and our way of doing things is under threat. So for us, discussions about ServCo's social responsibility are really important. It was an opportunity to make it clear what our values and our culture are, so we could keep those in place even if the company was growing. "Because we are still in the changes it is difficult to capture the shared understanding. But, actually over time the culture and shared understanding will become consolidated. We have been growing so rapidly […] [delivering the service ethically] will guide us in our relation to our customers and internally how we manage our culture here at the office" (Old Employee).

After the change. The final straw for some people was when the MD wanted to hire a new office manager to look after a lot of the processes that had been put in place. He brought in one of his people rather than hiring one of the old employees who applied for the position. Even though the founder came back to apologize for the mistake, this was an indication of how the respect for us had changed. One of the sales people decided he have had enough and left not long after. The way he saw it, his role had changed from being equal but customer facing, to suddenly being about managing others. And he felt communication had become too complex with all of the formal processes. This was partly because we were in a bigger office on multiple floors to accommodate all the new people, but also because there was talk of an open door policy, but we always had to talk to line managers rather than anyone directly.

For the rest of us, the culture and atmosphere have been damaged, but one good thing is that the founder still spends a lot of time in the office, while working on his charities. He helps to keep a link with customers and remind everyone about the culture and values we have. It seems to us that our customers are still very happy. They like the new office and to them, having the founder around helps to keep the link with the old culture, which is difficult to describe but helps them to have an idea of who we are as a company. How he and the company itself treat its employees and customers has always been really important. That includes not discriminating against anyone who works here. We never really had strict rules "because we all work quite closely together it just becomes a general rule over everyone. It's in our contract not to be naughty but that's it really" (Old Employee). It is very important now that we more clearly define what we mean by delivering services ethically. It is something that people do without realizing it, until "you put a label on it and they realize they are doing things related to ethical policies. Every company has its own level of social responsibility whether they call it that or not, it encourages managers to make sure that their staff are happy and to encourage a good work ethic" (Old Employee).

Discussion

Table I summarizes and compares the key points from these three narratives. Examining the sequence of events and how they are seen by social actors allows insights to be derived about the actors and their socially constructed cultures (Geertz, 1973). The interpretations, or misinterpretations, reveal more than the events themselves (Gabriel, 2000). Specifically, the narrative approach used to analyze and report the data reveals the multiple identities in the organization and the multiple, misaligned, perspectives on the identity of the organization itself (Brown, 1998; Landau *et al.*, 2014).

Seen from the perspective of the MD, the decisions made appear to be logical and even admirable. His narrative focuses on the need to sustain and grow the business by introducing more structure and efficiency, while retaining the best parts of the company's culture to make sure "no-one's nose is out of joint" (MD). The birthday celebration appears as an attempt to both imitate the behavior of the founder and to introduce himself and the new employees into the company. Meanwhile the approach to recruitment appears as a logical attempt to hire the best candidate for a job. The responses of employees to both events reveal their fears that their community and its culture are being undermined by new people and new ways of doing things. These events re-enforce their concerns about the MD's attempts to introduce process and structure. Within their narrative, these actions constitute a threat to their identity as professionals. The use of words such as "process" and "cogs" by the MD clash with the beliefs and ideas of employees, who view themselves as individuals, rather than as cogs in a machine. Perhaps the starkest contrast may be the one between the founder's and MD's views on management. Both value and seek to protect their employees, but take very different approaches. Whereas, the founder relies on social relations with customers and employees, the MD emphasizes process.

Articulating the service concept

This work builds upon theory related to PSF management (Løwendahl *et al.*, 2001; von Nordenflycht, 2010) that suggests there is a conflict between managerial control and professional autonomy. This research introduces a nuanced view that suggests this conflict can be reconciled through the process of creating a shared and articulated service concept (Sasser *et al.*, 1978). Løwendahl (2005) argues that where multiple professions or educational

Table I.
Summary of changes in ServCo

	Before change	During change	After change
Prevailing service concept	"We take good care of the customer" (Founder)	Tension between employees' ideas of a great place to work and MD's attempts to impose structure "We are a profitable, successful company" (MD)	"Great services, delivered ethically" (shared)
Shared/Articulated	Unarticulated but shared because of founder's ideas and recruitment policy	Unarticulated and not shared due to introduction of new employees and management approach	Shared service concept emerging and articulated by employees through the process of developing a social responsibility policy
Leadership	Founder and sole owner is CEO	MD taking day-to-day control, with founder less actively involved, but coordinating office move and re-design	New managing director has taken over; original founder spends a lot of time on the new premises, which helps maintain the company culture
Employees	Stable number–approximately 12 Recruitment based on fit with culture over qualifications	Rapidly growing number Recruitment based on qualifications and outsourced to professional agencies	More stable but greatly increased – approximately 40
Work environment	Autonomous employees. Divisions in roles (Sales, Creatives, Geeks), but no formal hierarchy High level of informality, trust and respect	Managed employees. Clear division of roles and authority (line managers and workers) Attempts to maintain autonomy and respect	Advantages of process standardizations start to become apparent; some attrition among older employees
Customers	Mostly SMEs or small government agencies. Highly personal interactions. Main source of new customers is word of mouth	Targeting larger customers outside of current social network Most existing customers retained	Larger customers added; customer interaction becomes more structured; customers more aware of new service concept
Workplace	Comfortable and sophisticated; customers can see developers at work	Office space has become too small	Well-designed new workplace; greater physical separation between developers and customers

backgrounds co-exist, the firm "must invest substantial time and effort to develop shared norms and a common code of conduct" (p. 27).

In the ServCo case, the process of developing social responsibility became the vehicle for those developing it to express what mattered to them. Employees were able to express their dissatisfaction with changes and articulate their expectations of their roles in a non-confrontational manner. As a result, they gave form to the previously tacit service concept. The notion of "great services, delivered ethically" emerged from this process and sums up the service concept. The statement represents the reconciliation of potentially conflicting views of the management and employees. It captures both the MD's view of ServCo as a profitable, successful company and the employees' view of how the company should treat its customers and more importantly its employees. In defining ServCo's social responsibilities, they had identified aspects related to customers, but it was notable that employee well-being, autonomy and culture dominated this perception of social responsibility. It appears that the social responsibility process was taken by employees as an opportunity to gain more control. And while this may not have been intended, it helped to serve a very important purpose in reconciling the conflict. The autonomy given to employees in this process allowed them to take ownership, rather than it being simply a consultation exercise. Taking into account the importance of professionals in a PSF, the service concept is likely to emphasize their needs. Given the desire for autonomy that professionals have, control over a process that allows them to surface their beliefs and articulate their needs in a non-confrontational manner helps to overcome potential conflicts. This leads to the following proposition:

P1. An autonomous, employee-led process can offer a vehicle for developing a shared and articulated service concept in PSFs.

PSF challenges and service concept

The purpose of this research is to understand the tensions during the growth of a PSF and to examine how the development of a shared and articulated service concept could alleviate such tensions. The narratives allow us to compare the misaligned mental pictures on which the tensions are based. Using Maister's (1993) distinctions, the founder adopts an expertise-based approach, whereas the MD relies on a routine-based one. For employees, who view themselves as experts, the autonomy and decision-making involvement that come with being valued for expertise are vital parts of the job (Kelley, 1985; Teece, 2003). The MD, like many PSF managers, appears concerned by the inefficiency that these practices entail (Jaakkola, 2011; Lewis and Brown, 2012). Indeed, Starbuck (1992) highlights how the level of decision-making autonomy given to professionals in knowledge-intensive firms is difficult to understand for managers and management scholars alike. However, the MD's routine-based approach is misinterpreted by employees as an attempt to restrict them through increased control and what they perceive as unnecessary bureaucracy (Løwendahl, 2005).

The service concept is shared before the change but, being driven by the founder's ideas, the small size of the company, and the similar backgrounds of employees, does not require articulation. Although the employees believe they have almost complete autonomy, the founder's narrative reveals the extent of his control – even furniture is made to his specifications. He maintains both control and the service concept by recruiting employees who fit his ideas, as demonstrated by his use of social over technical criteria when interviewing. Indeed, most small PSFs have a common culture as a result of staff members sharing social and educational backgrounds (Løwendahl, 2005). Problems arise in ServCo when the shared culture is challenged by the introduction of the MD, with different ideas, and also by new employees who differ in their social, educational and employment backgrounds. While the MD's changes appear well-intentioned, they are seen as threatening by employees until a new balance is achieved. The organizational change literature refers to punctuated equilibrium (e.g. Van de Ven and Poole, 1995) to describe the way that organizations continually move from one settled form to another. ServCo is studied during a change from one equilibrium point to the next and demonstrates how these changes create conflict, but also that the conflicts can be temporary. The narratives reveal that the conflicts arise from different interpretations of the MD's intentions. He views process as a way of shielding individuals from excessive workload; they see process as a threat to their culture. As ServCo settles into a new equilibrium after the change, the clear articulation of the service concept, through the exploration of social responsibility, offers a means to resolve the conflicts by facilitating what Kelley (1985) describes as treaties between management and professionals. This is summarized in Table II.

The narratives reveal that without the service concept, misalignment of mental images is the root of conflicts. This leads to the second proposition:

P2. Developing a shared and articulated service concept helps to overcome the challenges of PSFs during organizational change by revealing conflicts between the mental images of management, employees and customers.

The cat herding challenge was not problematic before the change because of the freedom, trust and other non-monetary rewards in evidence (Goodale *et al.*, 2008). Essentially, people

Table II.
PSF challenges as observed in ServCo

PSF Challenges	Before change	During change	After change
Cat herding	Controlled by maintaining culture and ensuring similarity in employee characteristics	Problematic due to influx of new employees and attempts to introduce processes	Reduced by articulating a service concept built around the idea of social responsibility
Opaque quality	Addressed by managing impressions through social interactions and interior design	Attempts to maintain reputation and use formal processes to convey quality	Conveyed to customers through commitment to social responsibility embedded in an articulated service concept
Lack of process standardization	Not addressed, restricting further growth	Being addressed through development of formal processes and management structure	Processes in place to maintain standards and manage workload, which resonates with the socially responsible service concept

did not treat their work as just a job, but like most professionals, enjoyed the company and stimulation of working with like-minded professionals. While the new MD appreciated that people enjoyed their jobs and understood why, he saw his role as ensuring profitability and success. He also felt the best way to create a positive work environment was to manage capacity by limiting the workload of people in key positions who may otherwise have become overwhelmed. Problems arose because of his failure to communicate the intentions of the management structure he introduced. It was misinterpreted by employees as a restricting their freedom, reducing their responsible autonomy (Friedman, 1977) and therefore treating them less as responsible professionals and more like resources.

These restrictions on freedom are problematic because professionals "even more than the overall work force […] want access to relevant information, consultation and true (rather than token) participation in management decision making" (Kelley, 1985, p. 13). A notable feature of the company's new social responsibility policy was the emphasis on employee-related aspects such as work-life balance and flat management structure. Although they also identified environment-related aspects, employees focused on what they feel management owed them – freedom, respect and trust. In other types of service firms, the service concept may emphasize the duties and responsibilities of employees toward managers and especially customers. With professional workers involved, however, the focus is more on the responsibilities of employees toward customers and the rights they demand of their managers. This leads to the third proposition:

P3. A shared and articulated service concept can alleviate the cat herding challenge in PSFs because it aligns managers' and employees' mental pictures of their rights and responsibilities.

The opaque quality challenge in ServCo is typically overcome through a strong emphasis on visual and aesthetic design. Design in the workplace is important because it influences both employees' and employees' perceptions (Lorenz, 1986; West and Wind, 2007). And in PSFs, it can be particularly important because the workplace is shared by employees and customers in their close interactions. In the absence of information, clues about service quality come from appearances – a surgeon's untied shoelace may imply a poor quality, for example, Berry and Bendapudi (2003). Appearances are controlled when managers select ServCo's company cars and artwork to reflect the service concept they seek to convey to customers.

Aesthetic matters also have important symbolic value for employees. Sales staff (seated close to the customer meeting room) dress smartly whereas others (seated further away) dress more comfortably. And employees were previously selected for their ability to fit in, for example, considering their musical taste, reflected in the spontaneous singing. Aesthetic matters such as clothing and musical tastes are considered important signifiers of belonging to certain social groups and identifying with others in those groups (Bourdieu, 1984). For example, in Rosen's (1985) study of an annual event held by an advertising agency for its employees, dressing in suits signified employees seeking promotion or approval from superiors, while dressing differently marked someone out as belonging to a creative subculture. Rosen suggests that awards for long service re-enforce employees' views that conformity, not creativity was demanded of them, because they took place alongside senior executives' speeches criticising some employees' poor attitudes.

The profile of ServCo's employees has changed, but after the changes a new culture and patterns of social interaction have developed. This is evident from the way employees are portrayed on the company's website. Whereas, before the change, individuals and their interests were displayed, post-change there is more emphasis on group activities. Weddings, births and sponsored marathons are reported, along with trips made by the whole ServCo team. These activities demonstrate the work-life balance that employees seek, but also present the employees as a team and community to customers. Løwendahl's (2005), stage C PSF (see Figure 1), has a focus on creative problem solving and team-based knowledge and these can be seen from the information revealed to customers on the website. Design of the website, along with interior design, was previously aligned with the founder's ideas. As the service concept has been articulated by employees, the website and workplace design have come to represent the shared culture that has emerged from the old and new. And these offer vital clues to customers as to the service quality and experience they can expect to receive. This leads to the fourth proposition:

P4. A shared and articulated service concept can alleviate the opaque quality challenge in PSFs because it aligns customers' and employees' mental pictures of service process and outcomes.

A lack of process standardization can be seen as a challenge for managers, who regularly seek to use process control as a means to improve efficiency as well as effectiveness of PSFs (Jaakkola, 2011). Employees, on the other hand, are less likely to be concerned because, as the narratives suggest, they view process standardization as a restriction to their freedom. They appreciate the problem solving inherent in treating every task as a unique project, rather than a repetition of a standard solution. For the organization, this creates inefficiency which may be treated as simply a cost of business. However, as Lewis and Brown (2012) argue, the inefficiency soon has an adverse effect on customer perceptions, since customers expect prices to fall in difficult economic times, whereas in industries such as legal practice, they have continued to rise. The MD's approach to tackle inefficiency included time recording and prescribed processes that were seen to "get in the way of working" (old employee), matching Lewis and Brown's (2012) observation that professionals follow such processes reluctantly because they view them as separate from more enjoyable and important work matters.

Rather than seeing the introduction of process standardization as a threat, however, ServCo employees could consider the MD's stated intentions, which are to reduce and balance the workload pressure on particular employees that he views as unsustainable if the company is to fulfill its potential. Standardizing solutions to simple problems can be seen as turning simple tasks into Maister's (1993) grey hair problems, meaning less time is spent on the things that have been done previously and more time devoted to new problem solving challenges that demand creativity. Expressed in this manner, the changes would be well aligned with the service concept, but without clear communication of intent the narratives demonstrate there is conflict. Hence, the fifth proposition:

P5. A shared and articulated service concept can alleviate the process standardization challenge in PSFs because it allows processes to be introduced without threatening the roles of employees.

Managerial implications

With the increasingly knowledge based and service-driven nature of many industries, managing professional knowledge workers is becoming relevant beyond the context of traditional PSFs (Teece, 2003). The paradox of managing professionals is that managerial control over the means of production – the professional workforce – risks negatively impacting its efficiency. Acceptance of this fact can lead managers to take a very personal approach such as ServCo's founder, granting considerable rights and freedoms to the professionals. This works because employees treat him more like a friend than an employer and are motivated by the desire to not let him down. However, as Løwendahl (2005) demonstrates, the typical evolution of a PSF sees its management try to impose control, due to concerns about efficiency (Lewis and Brown, 2012). The result can have unexpectedly negative consequences (such as when one of ServCo's original senior employees decided to leave). Such occurrences appear to be commonplace in the growth and development of a PSF and call for nuanced managerial strategies to deal with them. The narrative methodology used in this study helps to diagnose the cause of discontent among the employees as a PSF grows and seeks to introduce more routine-based ways of working (Maister, 1993). A misalignment in the mental pictures of the service leads to misunderstandings of the purpose of organizational change and leads to perceived threats to employees' culture and practice. However, as ServCo demonstrates, the challenges can be overcome when mental pictures are aligned. In this case, the vehicle of the development of the social responsibilities of the company toward its employees and customers had the effect of allowing a non-confrontational articulation of the service concept by the employees. Importantly, the employees were given control over this vehicle by management. The outcome of the social responsibility process was an articulation of the employees' defined service concept, which helped to clarify what they value and make the culture more visible. The MD adapted to the employee defined service concept and made efforts to reconcile the differences between his preferred methods and those of the employees. Due to the balance of power in PSFs, the shared concept was led by employees, which may not be the case in other types of services. However, the process of articulating the concept, which happened as a by-product of the social responsibility development, was valuable in reconciling the tensions between management and new/old employees. Therefore, developing a shared and articulated service concept can guide managers in communicating their decisions, designing organizations and working practices in a way that accounts for professional workers' needs. It also acts as a guide for design of all customer-facing aspects of the service, to ensure consistency of purpose and to communicate the quality of the service to customers. As a result, the main recommendation of this study for managers of PSFs is to engage with employees in jointly developing a shared and articulated service concept, to help overcome the challenges of cat herding, opaque quality and process standardization, particularly during organizational change. In the case of ServCo, a non-confrontational process was (opportunistically) used to articulate and surface differing interpretations of the service concept and combined with management adaptation resulted in a new and shared service concept. Hence, to overcome the tensions between managerial control and professional employee autonomy non-confrontational vehicles should be used; such as, the development of strategy, codes of professional conduct, mission statements or explicitly to develop a service concept itself.

Limitations

While multiple case study methods seek triangulation, in other words using multiple sources to find a true representation, this single case study deliberately seeks multiple representations and misrepresentations of events. As Van de Ven and Poole (1995) argue, a way of seeing is also a way of not seeing, meaning seeking triangulation to find one consistent view risks obscuring others that may be equally important. This may be seen as subjective, since the authors' interpretations of informants' subjective views are presented. However, the value of the narrative approach lies in its ability to see events from multiple perspectives. Care was taken to ensure the fairness and trustworthiness of the narratives, in other words ensuring that the interpretations were acceptable to the informants and can be trusted by readers. Additionally, the authenticity, plausibility and criticality of the narratives were emphasized in order to convince readers (Golden-Biddle and Locke, 1993).

An unavoidable limitation of longitudinal studies is that the story never truly ends. While the narratives are presented with a beginning, middle and end, it is clear that change is ongoing. This is not the end of the story, merely one equilibrium point in the evolution of this organization.

Conclusion

Managers of PSFs face three distinctive challenges that make their work difficult. These are managing autonomous employees (referred to as cat herding), difficulty in communicating the process and outcome (opaque quality) and the lack of process standardization. While managers naturally seek ways to standardize and improve processes, employee resistance to such changes can have harmful effects. The service concept, which is proposed to offer a missing link between management, employees and customers (Goldstein *et al.*, 2002) offers a potential solution. This paper contributes to the literature on the service concept by conceptualizing the challenges of PSFs as resulting from the lack of a shared and articulated service concept. It also contributes to the literature on PSFs by using a narrative methodology to uncover misalignment of mental pictures and how a shared and articulated service concept could align them. And finally, it offers research propositions and managerial implications related to PSF challenges and the service concept.

Note

1. The wording is modified from the actual in the interest of maintaining ServCo's anonymity.

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4.2 Paper 2: Conversations about social responsibility: CSR reporting in SMEs

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Conversations about social responsibility: CSR reporting in SMEs

Kjartan Sigurðsson

Abstract

The literature on Corporate Social Responsibility (CSR) reporting suggests that while large firms are likely to adopt formal approaches to reporting on their CSR activities to stakeholders, SMEs are likely to be more informal in their approaches. This research examines how SMEs report on their CSR activities and how this relates to three attributes of stakeholder theory: descriptive, instrumental and normative. Using a multiple case study research strategy, CSR reporting was examined in fifteen SMEs. The three attributes of stakeholder theory form the theoretical framework for analyzing the case data. While descriptive attributes of stakeholder theory reflect how SMEs operate—including their CSR or lack thereof—SMEs that have implemented a formal CSR strategy express positions that are aligned with normative attributes of stakeholder theory, while SMEs that have not implemented a formal CSR strategy, but nevertheless report on CSR activities, are more closely aligned with instrumental stakeholder theory attributes. The findings offer important insights for theory and practice on how SMEs report on their CSR activities and how this relates to the three attributes of stakeholder theory.

Keywords: CSR reporting; SMEs; CSR strategy, stakeholders; multiple case study.

1. Introduction

Interest in corporate social responsibility (CSR), which refers to firms' response to "*the economic, legal, ethical, and discretionary expectations that society has of organizations*" (Carroll 1979, p. 500), is growing (Jamali & Karam 2018). Developments in CSR indicate that the voluntary nature of social responsibility affords the possibility of reporting on CSR in a variety of business fora and situations (Stubbs et al. 2013). Firms inform stakeholders about activities that comprise CSR commitments and can, depending on context, include corporate reputation (Odriozola & Baraibar-Diez 2017), environmental, social and safety issues (Carroll & Shabana 2010; Valor 2008). In general, CSR reporting is intended to make stakeholders aware of the creation of expectations and how a firm fulfills these expectations (Morsing & Schultz 2006; Crane & Glozer 2016).

A conversation about a firm's CSR, initiated by the firm in the form of CSR reporting, and potentially responded to by stakeholders, is a compelling mechanism, which can improve legitimacy (Bebbington et al. 2008) and support the development of relationships of trust with stakeholders (Coombs & Holladay 2011). However, there has been scant research on the practice of CSR reporting and its potential outcomes (Reverte 2009; Falkheimer et al. 2017). This is particularly true of the context of SMEs, which are more likely than larger firms to lack strategy and to adopt *ad hoc* informal communication with stakeholders (Baumann-Pauly et al. 2013; Ortiz-Avram et al., 2018; Wickert, 2016). Thus, there is a gap in our understanding about CSR reporting in SMEs (Luken & Stares, 2005; Madsen & Ulhøi, 2016; Salimzadeh & Courvisanos, 2015; Ortiz-Avram et al., 2018).

The stakeholder literature emphasizes the need to develop an understanding of the benefits that can be gained through CSR reporting specifically in SMEs, i.e., "*it will need to be applied to more than just the large, publicly held corporation*" (Phillips et al. 2003 p. 495). Thus, the aim of this research is to address CSR reporting in the context of SMEs and the first two research questions are as follows:

RQ1: To what extent and in what ways do SMEs report on their CSR activities?

RQ2: What motivates SMEs to report on CSR?

Whereas CSR can be viewed as a self-evident responsibility of all businesses, the definition of a formal CSR strategy advances a business to what might be characterized as a higher level relative to CSR. Thus, the issue of whether a business has defined a formal CSR strategy constitutes an important demarcation of businesses when studying CSR reporting. This important issue leads to the third question.

RQ3: How does CSR reporting differ between SMEs that have a formal defined CSR strategy and those that do not?

Business reporting about CSR commitments and activities has been viewed with some skepticism, and disparaging labels such as ‘green-washing‘, according to which firms are accused of claiming CSR, environmental, economic and social activities that are not assured or supported by the firm (Gatti et al., 2019; Lyon & Mongomery, 2015; Walker & Wan, 2012), are sometimes employed. Meanwhile, the demand for reporting is strongly entwined with an increasing expectation of CSR. The prevalent thinking is that businesses should not be allowed to simply ‘raise the CSR flag’ without also providing ongoing reporting about what they are doing.

The predominant research focus has been on CSR reporting by large multi-national firms (Nakayama, 2106; Wickert, 2016; Baumann-Pauly et al., 2013; Holder-Webb et al., 2009) where there have indeed been calls for greater transparency and accountability through CSR reporting. Research indicates that large firms tend to communicate their CSR commitments extensively (Castelló & Lozano, 2011; Du et al., 2010; Wickert et al., 2016), but may lag behind in implementation (Baumann-Pauly et al. 2013; Lyon & Montgomery, 2015; Wickert et al., 2016). Meanwhile, the literature is mostly silent about CSR reporting in SMEs, and whether managers in SMEs perceive CSR reporting as a necessary, feasible or desirable aspect of social responsibility. The expectation appears to be that SMEs might engage in CSR initiatives but need to be encouraged to engage in, and directed to invent, clear CSR reporting agendas (Baden et al., 2009).

The main contribution of this research consists of four propositions developed based on the findings and underpinned by the three attributes of stakeholder theory proposed by Mason and Simmons (2014). The research also contributes to an improved understanding of CSR reporting in SMEs, which falls under the understudied context of formal communication in SMEs (Luken & Stares, 2005; Madsen & Ulhoi, 2016; Ortiz-Avram et al., 2018; Salimzadeh & Courvisanos, 2015). Furthermore, it sheds light on SMEs’ motives to engage in formal communication on CSR, which can in turn be expected to result in enhanced credibility (Lock & Seele, 2017), loyalty, and trust based on improved relationships with stakeholders (Berg et al., 2018).

2. Theoretical framework

2.1. Stakeholder theory: normative, descriptive, instrumental

Stakeholder theory can constitute a useful framework for making sense of CSR (Murillo & Lozano 2006). Stakeholder theory also provides useful insights into how firms may engage in particular types of CSR reporting and how these might increase loyalty, trust, and goodwill among stakeholders (O'Connor & Shumate 2010; Shumate & O'Connor 2010). Indeed, managing diverse stakeholder interests is important because it enhances a firm's credibility with attendant benefits (Lock & Seele 2017) such as social and financial performance (Barnett 2007). Stakeholder theory reminds managers that in addition to reaching business goals they need to maintain good relations with stakeholders (Berg et al. 2018).

Mason and Simmons (2014) propose three attributes of stakeholder theory: the normative, the descriptive and the instrumental. The normative perspective views a firm's social obligations as "*explicitly moral and is the domain of ethics*" (Freeman et al. 2010, p. 212). This perspective generates a moral obligation to take stakeholder interests into account in decision making (Freeman 2004; Frynas & Yamahaki 2016). Thus, a firm's social obligations and ethical requirements are seen to cement relationships between businesses and society (Garriga & Melé 2004). The normative attribute is built on the basis of trust (Jones 1995; McWilliams & Siegel 2001) and represents non-imposed values and norms (Vaz et al. 2016) that are embedded in business-to-society contracts (Jamali & Karam 2018). The normative stance rests on stakeholder management (Mason & Simmons 2014) in which CSR is based on the notion of righteousness and the practice of good citizenship (Drumwright 1994; Garriga & Melé 2004).

The descriptive perspective explains what a firm is and does and how it interacts with stakeholders (Mitchell et al. 1997; Donaldson & Preston 1995). In other words, "*how businesses relate to stakeholders and why they relate to them as they do*" (Brickson 2007, p. 865). Thus, firms' CSR activities and motivations to integrate stakeholders (Frynas & Yamahaki 2016) are perceived as an important and influential driver of prosperity (Donaldson & Preston 1995).

Firms may compare their CSR activities with other alternatives intended to bring about bottom-line benefits such as commercial success, profitability, and competitive advantage (Egels-Zandén & Sandberg 2010; Kaler 2003). The instrumental stance is strategic in nature and has the clear intent of improving firm performance (Brickson 2007; Jensen 2002). Thus, from an instrumental perspective, firms engage in social responsibility because it is good for business (Garriga & Melé 2004; Nybakk & Panwar 2015). In some instances the instrumental stance to CSR has been viewed with scepticism, seen as primarily symbolic (Jamali & Neville 2011), strategic or opportunistic (Wiig & Kolstad 2010) or insincere (e.g., ‘green-washing’) (Gautam & Singh 2010).

The three attributes of stakeholder theory as argued by Mason and Simmons (2014, p. 81) "*do not represent a zero-sum game whereby acceptance of one obviates the other,*" thus implying that firms can reflect more than one attribute of stakeholder theory.

2.2. Formally defined CSR strategies

A formally defined CSR strategy defines a firm’s position and intentions about topics including environmental issues, such as recycling and supply chains, social issues, such as support for the local community, and internal issues, such as the promotion of diversity in the workplace (McWilliams & Siegel 2001; Perrini et al. 2007). Early-stage approaches to CSR tend to reflect normative ethical and philosophical positions (Carroll, 1999; Ertuna & Tukel 2010). Firms must not only secure profits but also adhere to ethical values and integrate social demand into their business activities (Ertuna & Tukel 2010; Garriga & Melé, 2004) to enhance social credibility (Muñoz et al. 2015).

Strategic planning can be a relatively informal process in which businesses rely "*solely on experience and intuition for planning ahead"* (McKiernan & Morris 1994, p. S37); an approach in which businesses conduct only limited planning and make sense of their approaches through experience and embedded practices that enable strategic actions through emergent and adaptive mechanisms (Mintzberg 1985, 1987, 1990; Mintzberg et al. 1998; Galbreath 2010). The more common conception of strategic planning is as a comprehensive systematic approach that puts strategy at the core and analytically determines an appropriate strategic path for a business aligned with its core competencies (Andersen 2000; Galbreath 2010). In this research, a formally defined CSR strategy is viewed in line with the latter, more formal conception. The literature on strategic planning advanced by several scholars (e.g. Carroll & Hoy 1984; O’Shannassy 2003; Ramanujam & Venkatraman 1987a, 1987b; Ramanujam et al. 1986) argues that a formal strategic process is more likely than an *ad hoc* strategic process to result in consideration of both market and non-market issues, which might, in turn, result in the development of a formal CSR strategy.

The argument can be made that all businesses should be socially responsible. Nevertheless, when a firm defines and commits to a formal CSR strategy, it goes beyond the self-evident by taking a formally articulated position. This is likely to lead to not only a change in the signals sent to stakeholders but also in internal attitudes and behaviors (Beltagui et al. 2017) the self-perceptions of managers and employees are likely to change as well as their motivation to act consistently with the formal CSR strategy (Scott and Lane 2000).

2.3. CSR in SMEs

Due to their size, SMEs are seen as more agile than their larger counterparts due to their adaptability (Baumann-Pauly et al. 2013; O'Connor et al. 2017; Sarbutts 2003). Furthermore, SMEs tend to have relatively flat management structures and are generally more flexible than larger firms (Sarbutts 2003). Meanwhile, SMEs are more likely to lack formal strategies than large firms and, are therefore more likely to operate *ad hoc* towards social responsibility (Wang et al. 2007).

Nevertheless, SMEs can benefit from defining a formal CSR strategy and thus appealing to key stakeholder groups, including employees (Beltagui et al. 2017; Greenwood 2007). Indeed, SMEs with formally defined CSR strategies are likely to be perceived positively, which can result in interest by job seekers (Gond et al. 2010), lower staff turnover, improved productivity, and improved reputation and social recognition (Murillo and Lozano 2006). At the same time, barriers such as lack of financial resources, long-term commitments and lack of power over unexpected demands from dominant suppliers and customers, who might impose criteria at odds with CSR commitments (Lepoutre & Heene 2006), may hinder SMEs from implementing formal CSR strategies.

2.4. CSR reporting

Firms are increasingly attempting to leverage their CSR commitments and activities through CSR reporting (Snider et al. 2003), although, not surprisingly, with mixed results (Reverte 2009; Verbeeten et al. 2016). The term *CSR reporting* has been used in several ways. Terms such as *social accounting* and *social audit* (Parker 1986) or *social responsibility reporting* (e.g., Nikolaeva & Bicho 2011; Thompson & Zakaria 2004) are used and refer to somewhat formal reporting, akin to annual reports. For the purposes of this research, CSR reporting is viewed with a broader lens as *all types of communication targeted at stakeholders—formal or informal, voluntary or mandatory—about firms' social responsibility activities*.

CSR reporting can be viewed as a form of stakeholder identification, involvement, and communication (Mitchell et al. 1997; Morsing & Schulz 2006). Opportunistic motives sometimes drive CSR reporting, which can be used as a means to gain improved performance and competitive advantage (e.g., Battaglia et al. 2015; McWilliams et al. 2006). Such motives, and thus the drive for reporting about CSR activities, become stronger with increasing expectations about ethical and moral considerations (Donaldson & Dunfee 1994; Wickert et al. 2016), which is likely to lead to disciplined CSR management (Morsing 2006; Perrini 2006).

Stakeholders can put pressure on firms to address demands about social responsibility (Maignan et al. 1999; Young & Marais 2012) and demonstrate their commitment through CSR reporting (Brammer & Pavelin 2004; Carroll & Shabana 2010; Fernandez-Feijoo et al. 2014). CSR reporting can be mandatory, e.g., when it is required for or by consumers, commonly around environmental or safety issues (Carroll & Shabana 2010; Valor 2008). CSR reporting may differ from socially responsible actions, and indeed, firms may be selective about what they report on and the amount of information they provide to stakeholders (Jackson & Apostolakou 2010; Young & Marais 2012). In fact, CSR reporting may be intended primarily to gain stakeholder approval or to detract from their disapproval (Coluccia et al. 2017; Gray et al. 1996).

2.5. CSR reporting in SMEs

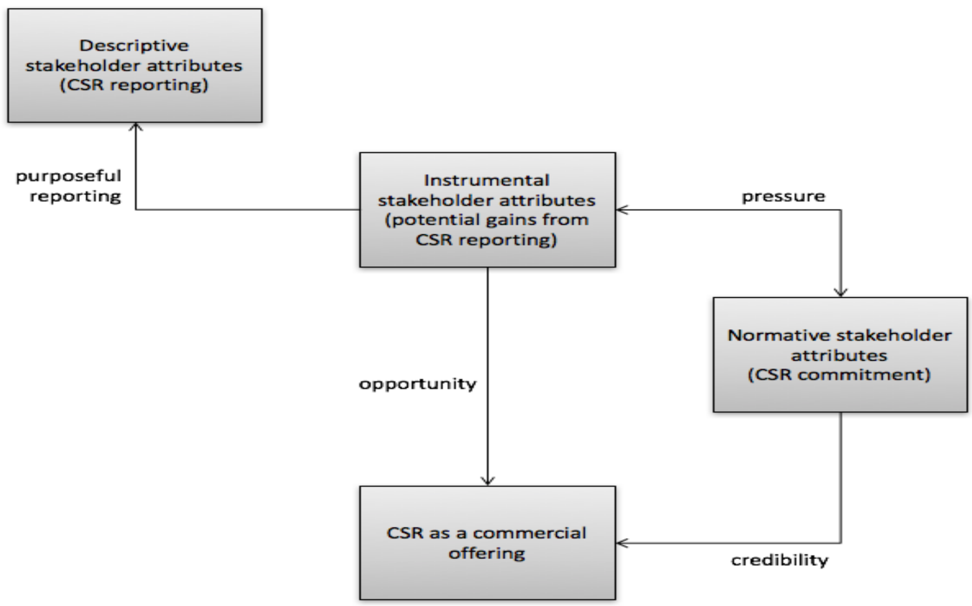
SMEs constitute a large proportion of world economies; they account for 99% of European enterprises, 66% of total employment, and half of the total value added in the European Union (European Commission, 2015). However, SMEs are not as visible as large corporations; which might be part of the reason for the limited research focus on how SMEs report on their CSR activities. Due to the uncertainty about how much information should be divulged in CSR reporting, and what precedents and expectations might be created thereby, a better understanding is needed concerning how SMEs can build reputation and create value through CSR reporting (Chaudhri & Wang 2007; Dawkins 2005; Hooghiemstra 2000; Rowe 2006). Successful CSR reporting entails not merely communicating with stakeholders but doing so in such a way that those stakeholders become convinced that the firm is serious about its CSR commitment, thus improving the firm's reputation and brand equity (Jahdi & Acikdilli 2009).

SMEs are not likely to follow a strategic path to CSR reporting due to their informal management systems and shortage of financial and human resources (Bauman-Pauly et al. 2013; Jenkins 2004; McWilliams & Siegel 2001). However, research has shown that SMEs enjoy certain advantages over large firms such as flexibility for producing specialized products and services (Aragón-Correa et al. 2008) as well as higher levels of social support than larger firms (Lepoutre & Heene 2006; Murillo & Lozano 2006; Nielsen & Thomsen 2009; O'Connor et al. 2017). Furthermore, SMEs tended to have organizational structures that include direct and open access to managers, interaction and synergies between units, flexibility, short lines of communication and shared understanding (Lawrence & Lorsch 1967).

SMEs may engage in socially responsible activities but lack the procedures, access to resources and knowledge to perceive these as CSR activities and report on them as such. At the same time, while SMEs may be willing to sacrifice profits to serve the greater good of internal and external stakeholders (Jamali et al. 2009), they may avoid reporting on their CSR because they fear that they might not be able to fulfil implied CSR commitments in the long term (Nielsen & Thomsen 2009).

Studying CSR reporting in SMEs is important (Davies & Crane 2010; Szczanowicz & Saniuk, 2016). SMEs that are successful in signaling a desirable social profile (Smith 2005) are more likely to maintain their competitive position than those that do not (Kolk 2010). However, it remains unclear how SMEs report on their CSR activities (Parsa & Kouhy 2008; Parker et al. 2015) and why they do so. Figure 1 summarizes the theoretical framework and proposes a model that describes how each stakeholder attribute perspective is connected to reporting.

Figure 1. Proposed model describing how CSR reporting in each stakeholder perspective is connected to reporting in other stakeholder perspectives.



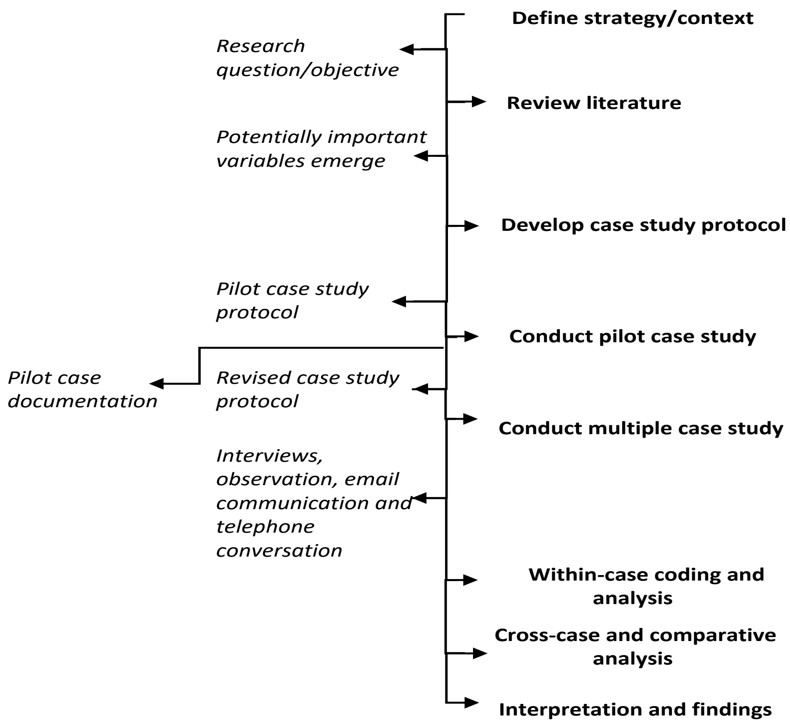
The proposed model indicates that from a descriptive point of view, SMEs report on CSR as a matter of course. Furthermore, the model implies that SMEs that have implemented formal commitments to CSR are likely to take a more normative approach to CSR reporting, while SMEs that are less formal and deliberate in their approach to CSR commitments are more likely to take an instrumental stance.

3. Research methodology

The goal of this research is to understand how and why SMEs report on their CSR activities and how this relates to three attributes of stakeholder theory. A qualitative multiple case study research strategy was chosen for this research. Qualitative research allows the researcher to study a particular case in-depth by using various resources that can be used to interpret real-life events and summary statements of respondent's statements. For such explorative research, a case study method is appropriate. A multiple case study was undertaken (Gable, 1994) following best practice for qualitative research methods (Eisenhardt 1989; Miles & Huberman 1994; Yin 2013), see Figure 2. To make comparisons possible, multiple cases were studied using an inductive approach (Eisenhardt 1989; Yin, 2009). Thus, a multiple case study was undertaken to understand differences and similarities between cases (Baxter & Jack 2008; Stake 1995) through analysis both within individual cases and across cases (Yin 2003).

Data analysis evolved through an iterative process of analyzing data followed by sense-making to understand the entire phenomenon and identify patterns in order to refine and correct the analysis as new data are analyzed, corrected and refined (Levitt et al. 2018). Two coders analyzed the data, working first independently and then together to increase confidence in the findings (Eisenhardt 1989).

Figure 2. Research strategy processes, adapted from Gable (1994).



3.1. Case selection and sampling

Fifteen (15) Northern European SMEs were identified using snowball sampling (Hosmer 1995), first based on suggestions made by interviewees in a pilot case firm and then from suggestions garnered from subsequent case firms, i.e., earlier research participants recommended other potential participants, who might meet the criteria for inclusion in the research study (Merriam, 2009). Criteria for inclusion were based on the EU definition of SMEs according to which an SME is an autonomous enterprise engaged in economic activity, with fewer than 250 employees, annual turnover of fewer than 50 million euros and a balance sheet of fewer than 42 million euros (European Commission 2015).

In addition to the criterion requiring that case firms should be SMEs, case selection was guided by the criteria of data-richness and breadth regarding formally defined CSR strategies or not and CSR reporting or not (Baumann-Pauly et al. 2013; Glaser & Strauss 1967). Case firms in two countries were included to avoid potential myopia caused by entrenched social norms in one country.

A pilot case study was conducted with the goal of identifying potentially important variables to guide the selection of further cases. Following from research question RQ3, both case firms having formal CSR strategies and case firms without such strategies were selected.

Summary profiles of the case firms are provided in Table 1. Cases were added until new cases offered few new insights and saturation was deemed to have been reached (Merriam & Tisdell 2015; Strauss & Corbin 1990). Five of the case firms had formally defined CSR strategies, while the rest were aware of CSR but had not made formal commitments, although many were engaged in socially responsible activities and observed to report on these activities.

Table 1. Summary profiles of case firms.

Firm	Type of firm	Formal CSR strategy	Number of interviews	Interviewees	Time/hours	Number of employees
A*	IT service provider	Yes	28	Owners and managers	21	34
B	Engineering consultancy	Yes	2	CEO and managing director	2	157
C	IT service provider	Yes	2	CEO	2	22
D	Business consulting	Yes	2	Manager responsible for internal CSR and CSR	2	43

Firm	Type of firm	Formal CSR strategy	Number of interviews	Interviewees	Time/hours	Number of employees
				consulting to clients		
E	Education	Yes	3	CEO and manager responsible for CSR	4	45
F	PR, marketing and events management	No	2	Managing director	2	16
G	Consulting and marketing	No	2	CEO and manager	2	54
H	Equipment supplier for healthcare, catering and conference sectors	No	3	CEO and sales and marketing manager	3	18
I	Media and telecommunications	No	2	CEO	2	95
J	Education and IT services	No	4	CEO and managing director	4	17
K	IT services and public relations	NO	2	Managing director	3	21
L	Public relations	NO	2	CEO and managing director	5	18
M	B2C and B2B grocery	NO	2	CEO	4	19
N	Printing and sign making	NO	3	CEO and managing director	2	25
O	Marketing and sales of apparel	NO	2	CEO	2	21

*Pilot case

3.2. Data collection

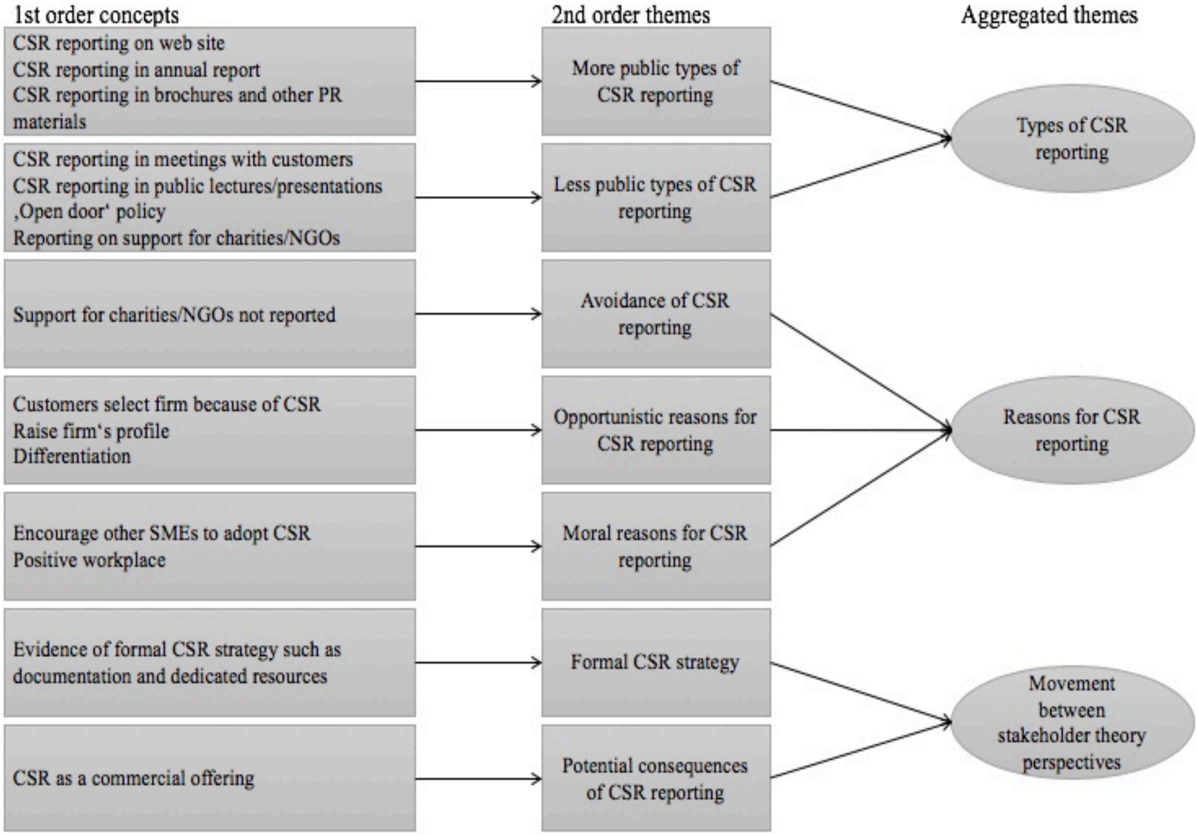
Semi-structured interviews were conducted to obtain real-time accounts from managers of SMEs. A semi-structured qualitative interview protocol with open-ended questions implies that participants are allowed to elaborate on questions and clarify answers (Creswell, 2014). The researcher endeavored to create a relaxed atmosphere by allowing participants to answer on their own terms without any constraints being applied (Creswell, 2014; Yin, 2011). The interviews followed a semi-structured protocol, which was allowed to evolve as new insights came to light. A total of 61 interviews were conducted with managers of 15 SMEs. The interviews covered descriptive histories of the case firms' CSR activities, their CSR reporting and their motivations for engaging in CSR activities and CSR reporting. Each interview began with a question about whether the case firm had a formally defined CSR strategy. A definition was provided if respondents were uncertain what was meant. When respondents indicated that their firms did have a formal CSR strategy, they were asked to provide evidence of the strategy. In all instances, respondents could point to formal written documentation outlining their firm's formal CSR strategy. The documentation varied in depth and detail and included, for example, sections in employee manuals or documents made public on the firms' websites. Data collection took place between 2015 and 2017.

Interviews were recorded and transcribed. Follow-up interviews, email communications, and telephone conversations were used as appropriate to gain further insights (Johl & Renganathan 2010). Firms' websites, promotional materials, and available documents were also examined, both before and after the interviews, thus increasing the reliability of the research (Roberts 1999).

3.3. Data analysis

Data were first analyzed using within-case coding and then using cross-case coding. The data structure used for coding, as recommended by Gioia et al. (2013), is illustrated in Figure 3. This includes initial concepts and themes as well as those that emerged during data collection and coding.

Figure 3. Data structure for coding.



NVivo-QSR International was used to categorize and identify emerging concepts, ideas, data and text transcripts. Within-case analysis was conducted in multiple rounds of coding by two researchers working first independently and then together to reach consensus. Interrater reliability was high, and any disagreements were expediently resolved through discussion (Armstrong et al. 1997).

Once the within-case coding was complete, collaborative cross-case analysis using the comparative analysis method advanced by Ragin (2014) was conducted. This method is particularly well suited to analyses with large numbers of cases when the goal is to compare groups of cases. The interview data were analyzed to arrive at descriptions of CSR reporting in the case firms, the reasons driving CSR reporting and how CSR reporting related to descriptive, instrumental and normative attributes of stakeholder theory.

4. Findings

Table 2 provides a summary of the types of CSR reporting observed in the case firms. Delineations were made on two dimensions: the presence or absence of a formal CSR strategy and firm size category—medium or small. In accordance with the EU definition, firms employing fewer than 50 employees are classified as small, but firms employing from 50 to 249 employees are classified as medium-sized.

Table 2. CSR reporting and reasons for reporting in the case firms.

Firm	B	E	D	A	C	I	G	N	K	O	M	L	H	J	F
Formal CSR strategy	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**No**	**No**	**No**	**No**	**No**	**No**	**No**	**No**	**No**	**No**
Number of employees	**157**	**45**	**43**	**34**	**22**	**95**	**54**	**25**	**21**	**21**	**19**	**18**	**18**	**17**	**16**
Size category	**Med.**	**Small**	**Small**	**Small**	**Small**	**Med.**	**Med.**	**Small**	**Small**	**Small**	**Small**	**Small**	**Small**	**Small**	**Small**
Types of reporting:															
CSR reporting on web site	x	x	x	x											
CSR reporting in annual report	x														
CSR reporting in brochures and other PR materials		x		x	x	x									
CSR reporting in meetings with customers				x	x										
CSR reporting in lectures/presentations					x	x	x					x			
"Open door" policy	x	x		x											
Reporting on support for charities/NGOs								x		x		x	x		x
Avoidance of reporting:															
Support for charities/NGOs is not communicated publicly	x	x	x	x		x	x				x				
Reasons for reporting:															
Customers select firm because of CSR	x	x	x	x											
Raise firm's profile	x	x	x	x				x		x		x	x		x
Differentiation	x	x	x		x	x		x							
Encourage other SMEs to adopt CSR	x	x		x											
Positive workplace	x	x	x	x		x	x				x				
CSR as a commercial offering			x	x					x						x

4.1. Formal CSR strategy

Respondents were unhesitant about answering the question of whether their firm had a **formal CSR strategy** and offered convincing evidence, e.g., by pointing to a formal documentation of their CSR strategies and formal CSR roles within their companies. As a manager in firm B stated "*You can read about [the CSR strategy] on our website and in our annual report. We have one person who is dedicated to our CSR*".

4.2. Types of CSR reporting

Four of the five case firms with formal CSR strategies reported on their CSR activities on their **websites**. It is interesting that none of the firms without formal CSR strategies reported on CSR on their websites. The respondents for the latter firms appeared to be somewhat skeptical about CSR reporting and believed it would involve extra effort, time and costs.

"I think it [CSR reporting] is dangerous for a company. If a company promises something it cannot meet it can become expensive and it can form a gap between expectations and what the company actually stands for, and then you get negative feedback" (Manager firm H).

This expression of the potential dangers of CSR reporting seems to reflect the very public nature of websites; case firms that had not made a formal commitment to CSR did not want to create weakly founded impressions in public—impressions that they would have a difficult time living up to in the long term.

Only one case firm (B) reported on **CSR in its annual report**. Firm B is a medium sized SME, and, in fact, the largest firm studied. Requirements about the content of annual reports tend to be more comprehensive for larger than smaller firms, which might explain why firm B reported on CSR in its annual report. This might also reflect increased stakeholder demands relative to larger than smaller firms.

Four of the case firms reported on CSR in **brochures and other PR materials**. One of these firms (I) did not have a formal CSR strategy. Considering the extremes of the public and permanent (even if not intended) nature of information posted on websites, brochures and other such materials, even if intended for a broad audience, might be viewed as less public and permanent due to their controllable distribution. This might be a reason why this type of reporting appeals to smaller firms as well as a medium sized firm without a formal CSR strategy.

Two of the case firms (A and C)—both with formal CSR strategies—reported on **CSR in meetings with (prospective) customers**. This type of reporting can be less formal than the reporting posted on a firm's website and, indeed, firm C did not report on CSR on its website. It was observed that only small firms that engaged in CSR reporting in meetings, whereas medium-sized firms seemed to prefer more public CSR reporting on their websites or in their brochures (observed in both size categories). Meetings are venues characterized by a relatively high degree of control by participants—including control over who participates—and communication that is predominantly verbal, whereas proclamations made on a website might be seen to gain a 'life of their own' and be difficult to rein in once made public. Thus, this observation might be evidence of smaller firms' greater levels of caution or insecurity compared with medium-sized firms.

Several respondents mentioned that their firms take advantage of opportunities for **CSR reporting in lectures/presentations**. Somewhat similar to the more controlled, mostly verbal, reporting in meetings, mentioning a firm's CSR activities in lectures or presentations can be viewed as less risky and forthcoming than publicly reporting in writing on a firm's website. Indeed, only firms that did not report on CSR on their websites mentioned this form of reporting. A manager in firm G stated that "*The main thing is to be seen as a good representative of our business, and I try to deliver the message when I get the opportunity… that we are a socially responsible business.*"

A less public form of CSR reporting noted in three of the case firms—all of them with formal CSR strategies—was having an **'open door policy'** by which customers and suppliers were welcome to show up unannounced at any time. This seems to reflect a better-than-usual degree of confidence, which might be attributable to the formally defined CSR strategies these firms had adopted.

"We believe ourselves to be a relatively open business; the doors are always open even though it is only just to talk about the weather or something else. The fact is that this … puts more pressure on managers, but as the business has expanded and the distance became greater, we want to be accessible" (Manager firm B).

The final type of CSR reporting observed was **reporting on support for charities/NGOs** as part of firms' public relations efforts.

"Our business is socially oriented, that is we support a lot of sports clubs, health institutions, and some smaller non-governmental organizations by devoting time and work that benefits them when they need it. But it is also a part of our marketing strategy, and it makes us visible on the market" (Owner firm F).

"We support charities in our local community in different ways, by giving back to society and by working in ways by which we can get rewarded through positive feedback" (Manager firm H).

The findings for *RQ1* and *RQ3* are summarized in Table 3. Evidence was found of both direct and indirect modes of reporting of CSR activities. A clear difference was observed, as shown in Table 3, in that only firms with a formal CSR strategy engaged in direct modes of reporting. What might be said to distinguish the two groups of SMEs is the level of confidence to communicate the CSR strategy to their stakeholders, with those SMEs having a formal CSR strategy exhibiting a higher level of confidence.

Table 3. Summary of findings about CSR reporting.

	SMEs with a formal CSR strategy	SMEs without a formal CSR strategy
CSR reporting modes	Direct and indirect modes of reporting.	Indirect modes of reporting.
Venues for CSR reporting	On the website, in annual reports, meetings, brochures, and other PR material.	In invited lectures and through support to local charities.

4.3. Avoidance of reporting

Unlike those firms who report on their support for charities/NGOs, some respondents expressed **avoidance of reporting** about such support. This is in line with what manager in firm E said, "*We know that we cannot contribute to all aspects of social responsibility, I mean it's huge, and we have decided only to participate and have significant influence in one major charity without too much public attention".*

Firms might support charities and publicize this to increase the visibility of their profile, especially locally. The data seem to suggest a basis for distinguishing between more sophisticated social responsibility (e.g., not seeking public attention for direct financial support to charity) and less sophisticated social responsibility (e.g., spreading 'crumbs' to gain public attention through this form of indirect advertising). Indeed, only small firms were observed to report on their contributions to charities/NGOs publicly, which, as discussed above, might reflect a less sophisticated perspective on CSR on the part of smaller firms. This is not unequivocal, however, since avoidance of reporting support for charities/NGOs was observed in both small and medium-sized firms.

4.4. Reasons for reporting on CSR

Among the case firms, the expectation that prospective **customers select the firm because of CSR** was named as a reason for reporting on CSR.

"We pitch for work to a company or a large organization that actually has their own CSR strategy. So, the fact that we tick those boxes and we report on CSR on our own website and include it in our presentation makes the client feel better" (Manager firm A).

Raising firms' profiles by letting others know 'we care' as well as the belief that CSR reporting could constitute a means of **differentiation** were mentioned by several of the case firms.

"Now that we have implemented CSR and made it visible on our website and in the annual report I think social responsibility is benefitting us, and I am sure it strengthens the business … and competitive advantage and differentiation is just one part of it" (Manager firm B).

The motives for CSR reporting cited by this manager can be characterized as opportunistic; the SME in question hopes to gain something by reporting on CSR activities.

Among the firms with formal CSR strategies, **encouraging other SMEs to adopt CSR** was mentioned as a reason for reporting on CSR.

"The whole nature of [CSR reporting] is positive, and it is actually delivering messages that we need now. I think [CSR reporting] is an important part of the DNA of a company. As we move forward, I would like to see every company have an active CSR policy" (Manager firm E).

Finally, several respondents argued that their firms created a more **positive workplace** by reporting on CSR.

"Now that we have a formal CSR strategy and that we've made public on our website, and we talk about in meetings with our clients, the whole implementation process is working and making sure we are doing our best in areas where we can have influence and contribute to society, the environment and most importantly our employees" (Manager firm A).

The last two motivations can be seen as moral reasons for reporting on CSR in contrast to the more opportunistic reasons mentioned above.

4.5. CSR as a commercial offering

A particularly interesting finding was that some of the case firms had developed commercial offerings around CSR.

"From this exercise, we are looking at the possibilities of offering the knowledge to others, in the short term there is nothing that will let us make money directly from it [CSR] but from the knowledge and experience we can educate others, and the benefits of having a CSR policy means the business is better" (Manager firm A).

In firm A, the idea to offer their customers consulting in implementing CSR came about after they had implemented their own formal CSR strategy. In firm F the order was reversed since their interest in CSR had grown while doing PR work for their clients around CSR "*It's an area of business that we work on with a lot of our clients. Our CSR involvement is mainly due to some work on CSR in the field of PR for businesses*".

Developing commercial offerings around CSR was observed both in firms with and without formal CSR strategies, but this was observed only in the smaller firms. A possible sub-text here is that these small firms were targeting their CSR offerings at other small firms, although this was not explicitly stated.

4.6. CSR reporting and attributes of stakeholder theory

A distinction can be made between CSR reporting that is aligned with instrumental stakeholder theory and reporting that is aligned with normative stakeholder theory. Managers were observed to view CSR reporting as an integral part of their firms' overall strategies to maintain an open and transparent dialog with stakeholders, which reflects a normative stakeholder theory stance. They also mentioned how important it is to report with caution, i.e., CSR activities and commitments must be carefully stated and true, which is more in line with an instrumental stance. A manager in firm C stated "*We have defined our CSR strategy and openly communicate our commitments to our stakeholders. However, to have a social responsibility strategy openly communicated proves to be one of the tough parts*".

SMEs with formal CSR strategies were observed to take a more normative stance to CSR reporting than SMEs without formal CSR strategies. In these instances, managers did not see direct advantages to the business in promoting their CSR activities but were driven by a desire to be accessible and transparent towards stakeholders. However, they also expressed the belief that CSR reporting could lead to positive changes and that these changes could bring potential benefits to society and the environment. This focus on the benefits of CSR reporting to society reflects a normative stance.

Logically, the expressed wish that more companies would implement CSR—and thereby be able to report on CSR—contradicts the instrumental attribute of gaining competitive advantage and new customers from CSR reporting. Thus, a potential friction was noted between the normative and instrumental attributes of stakeholder theory. Although normative on the surface, the avoidance of reporting on support for charities/NGOs might also reflect managers' reluctance to gain too much public attention or attention from other charities/NGOs that are seeking money or some other form of support (an instrumental concern).

The normative stance implies a moral obligation to stakeholders. SMEs with formal CSR strategies were seen to have an acute sense of social awareness, reflecting their normative stance, but also to report on their CSR commitments and activities for instrumental reasons. These observations indicate that SMEs without formal CSR strategies have little interest in investing in CSR for purely ethical (or normative) reasons. This presents an interesting contradiction since managers in SMEs that do not have a formal CSR strategy expressed interest in being socially responsible but were not prepared to commit to CSR strategies beyond reporting, thus potentially losing out on opportunities to benefit their business.

Descriptive attributes of stakeholder theory, which reflect an explanatory stance about how SMEs operate, were seen to take an instrumental turn when SMEs selected CSR activities to report on to stakeholders. The SMEs without formal CSR strategies perhaps used less public types of reporting because their CSR commitments were not formally stated. Nevertheless, these SMEs were observed to be under some pressure from stakeholders to report on CSR activities. This illustrates how CSR reporting in each stakeholder perspective exerts pressure on the others. Thus, SMEs that pay attention to opportunities that this pressure might involve and adapt to it with a more formal approach can expect greater acceptance and credibility..

5. Discussion

The main contribution of this research is the development of four propositions derived from the three attributes of stakeholder theory and the case data (Eisenhardt, 1989). The propositions explain how CSR reporting is aligned with each stakeholder perspective, namely the descriptive, instrumental and normative attributes of stakeholder theory. The propositions are illustrated in Figure 1 and expressed formally in the next section.

5.1. Implications for theory and propositions

Existing research suggests that firms that signal a desirable social profile (Smith 2005) are likely to gain competitive advantage (Dutton & Dukerich 1991), are inclined to report on their CSR activities, and are more likely to have assurance about their commitment to stakeholders (Kolk 2010). The results for *RQ1* and *RQ3* indicate that SMEs engage in a variety of forms of CSR reporting. SMEs that have not developed formal CSR strategies were observed to communicate their CSR activities through indirect methods such as support of local charities and in invited lectures, while SMEs that have developed formal CSR strategies used both direct and indirect modes of reporting. Furthermore, considerably more evidence of CSR reporting in SMEs with formal CSR strategies was found, which may in turn predict more advanced CSR activities and greater stakeholder awareness.

Descriptive attributes of stakeholder theory describe how businesses operate and perceive business objectives. The findings for *RQ2* indicate that SMEs have various motives for CSR reporting. The relatively obvious motivation for reporting on CSR such as gaining competitive advantage and firm reputation is opportunistic (Battaglia et al., 2015) and in line with the instrumental attribute of stakeholder theory. Indeed, the thinking on instrumental attributes of stakeholder theory is around firm performance (Brickson 2007; Jensen 2002) and bottom line benefits such as commercial success, profitability, and competitive advantage (Egels-Zandén & Sandberg 2010; Kaler 2003). The findings indicate that SMEs without formal CSR strategies are predominantly aligned with the instrumental stance in their approach to CSR reporting, while SMEs that have implemented a formal CSR strategy might be more normative in their approach.

Figure 1 proposes a model of how CSR reporting aligned with each stakeholder perspective is connected to reporting in other stakeholder perspectives. From a descriptive perspective, SMEs report on their CSR activities as a matter of course. When SMEs adopt an instrumental perspective, they recognize the potential gains that might come from CSR reporting. This can lead to more purposeful strategic reporting of CSR activities to increase the odds of achieving these gains. SMEs having a normative perspective to CSR have made commitments to CSR (formal or informal). The instrumental and normative perspectives exert pressure on each other since the instrumental stance calls for a commitment and the normative stance calls for turning values into processes. Based on the opportunities for potential gains seen in the instrumental perspective coupled with the credibility that derives from CSR commitments, SMEs can develop commercial offerings around CSR.

The model illustrated in Figure 3 can also be expressed more formally with the following propositions:

P1: SMEs with formal CSR strategies are more likely to adopt a normative stance with regards to CSR reporting than SMEs without formal CSR strategies, which are more likely to adopt a descriptive or instrumental stance.

P2: SMEs are likely to move from descriptive CSR reporting to more strategic purposeful instrumental CSR reporting.

P3: An instrumental stance regarding CSR reporting can exert pressure towards normative CSR commitments and *vice versa*.

P4: An opportunity-focused instrumental stance regarding CSR reporting can lead to offering some form of CSR as a commercial offering; the credibility gained by normative CSR commitment may make this more successful.

5.2. Implications for practice

The research findings demonstrate that managers in SMEs perceive CSR reporting as a positive addition to business development but may not have the necessary knowledge and expertise or funds to do so effectively.

A well established and defined CSR reporting scheme may improve communication, firm's reputation and stakeholders' view of the firms. However, CSR reporting should provide an accurate representation of what SMEs are doing. This implies that managers need to carefully avoid providing a high volume of information about CSR commitments without being able to provide tangible evidence of activities in the longer term.

A somewhat surprising finding relates to expressions of reluctance to report on CSR activities, specifically financial support for charities/NGOs. This might be characterized as a form of timidity or risk-aversion. SMEs sometimes perceive themselves as victims of their business environments rather than controllers and their customers might demand activities or choices that are not in line with the standards of CSR. This perspective might make them reluctant to make big claims today knowing that they might have to change direction tomorrow. These businesses can be characterized as relatively normative in their position that CSR is justifiable and worthwhile, while also being practical (or instrumental) in their reluctance to report on something they might not be able to sustain in the long term. It is only when SMEs respond to pressure from stakeholders and adopt a stance that is both normative and instrumental that they are likely to make commitments to CSR as a normative good and report on their commitments and activities for instrumental reasons.

The findings indicate that SMEs that have not developed formal CSR strategies are likely to communicate their CSR activities less publicly and perhaps in a more haphazard fashion, while SMEs that have developed formal CSR strategies, while they also use a variety of types of reporting, are likely to strategically use public modes of reporting, such as reporting their CSR commitments on their websites.

5.3. Limitation

This research is subject to some limitations. The qualitative approach employed involved a broad range of techniques and insights based on patterns in the configuration of ideas. In qualitative case studies, context-dependent phenomena do not allow for broad generalizations. Moreover, establishing a cause-effect connection to reach conclusions and generalize the results can be difficult, particularly from a small number of cases.

Self-reporting bias presents a potential limitation, particularly if respondents were inclined to offer more socially acceptable responses or if they lacked understanding of the core terms used, e.g. social responsibility. This was mitigated by assuring respondents that their responses would remain anonymous and by reaching a common understanding of social responsibility at the beginning of the interviews.

5.4. Directions for future research

Having put forward a set of propositions, it is suggested that further research be performed to test the propositions, which could be conducted using quantitative methods.

Future research on CSR in SMEs is urged to further research how SMEs form and integrate strategies that can be communicated to stakeholders through, e.g. websites, annual reports, and other pathways that may shed light on their commitment to CSR. This could uncover new possibilities for a range of attributes and capabilities that may support identification of CSR reporting in SMEs and provide further understanding of what motivates SMEs to report on CSR and to what extent a formal approach to CSR can result in differentiation and competitive advantage.

In terms of structures and processes, concern among managers in SMEs was observed about the cost involved in developing CSR reporting initiatives. Indeed, it is important that managers charged with putting in place and monitoring CSR reporting consider whether the costs might outweigh the benefits. This may seem obvious, but our findings demonstrate that managers in SMEs perceive CSR reporting as a positive addition to business development but are not as aware of how to acquire the necessary knowledge and expertise to do so effectively. Future research could uncover how managers in SMEs can develop structures and processes that help them to understand whether and how the benefits outweigh the costs of developing and implementing CSR strategy.

The literature on CSR reporting mainly focuses on stakeholder relations, but there are few insights about shareholders, investors, partner relationships and other forms of ownership in SMEs that might influence their decisions on CSR reporting. Further examination of CSR reporting relative to these important groups of stakeholders is warranted.

This research aimed to examine CSR reporting in SMEs rather than firms in particular sectors. Future research is encouraged to study CSR reporting by sector. Broader coverage of industry contexts could uncover new possibilities for a range of other attributes and supportive capabilities that may support further understanding of CSR reporting behaviour in SMEs.

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4.3 Paper 3: Saying and Doing: Social Responsibility Declared and Applied

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Saying and doing: Social responsibility declared and applied

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The purpose of this work is to examine the relationships between and among firms' commitment to social responsibility, their declarations—or reporting—on their social responsibility, the application of social responsibility in the form of social innovation, and customer acceptance. A research model drawing on the attributes of stakeholder theory is tested using data collected from 355 firms. The findings indicate that firms with commitments to social responsibility are likely to report on their social responsibility and are also likely to be engaged in social innovation. However, a negative relationship was found between reporting on social responsibility and social innovation. This highlights the importance of differentiating between saying and doing. Finally, social innovation was found to contribute to customer acceptance, while reporting on social responsibility was not. When it comes to social responsibility, it might be fair to say that "talk is cheap", while social innovation "speaks louder than words".

1 | INTRODUCTION

Social responsibility is an important topic for academics, practitioners and policy makers (Carroll, 1991, 1999; Carroll & Shabana, 2010; Morsing & Perrini, 2009; Perrini, 2006) and the discourse on this topic is characterized by increasing urgency (Mahoney, 2012; Mithani, 2017; Wood, 2010). Following Sarkar and Searcy, social responsibility can be defined as follows: "firms must foremost assume their core *economic* responsibility and *voluntarily* go beyond legal minimums so that they are *ethical* in all of their activities and that they take into account the impact of their actions on *stakeholders* in *society*, while simultaneously contributing to global *sustainability*" (Sarkar & Searcy, 2016, p. 1433). The tenor of this definition implies action, and two of the classes of action that are likely to stem from social responsibility are social innovation and reporting on social responsibility (Husted & Allen, 2007; Yin & Jamali, 2016). The first involves crafting solutions to social challenges as part of a firm's innovation activities. The second involves articulating and declaring a firm's commitment to social responsibility by reporting on its activities that benefit society both within and outside the firm.

The objective of this research is to examine how commitment to social responsibility (Mishra, 2017; Morsing & Roepstorff, 2015; Park, Lee, & Kim, 2014) is related to social innovation (Adams & Hess, 2010; van der Have & Rubalcaba, 2016) and to attempts to signal a desirable social profile through reporting about social responsibility activities (Carroll & Beiler, 1975; Jackson & Apostolakou, 2010; Nekhili, Nagati, Chtioui, & Rebolledo, 2017), and in turn, how both of these activities might contribute to customer acceptance.

Stakeholder theory (Freeman, 1984) is sometimes viewed as consisting of descriptive, instrumental and normative attributes (Donaldson & Preston, 1995). A firm's commitment to social responsibility corresponds to the descriptive attribute, reporting on social responsibility—which reflects a firm's agenda—corresponds to the instrumental attribute (Marques, Morgan, & Richardson, 2018; Mulgan, 2006), and when firms engage in innovation to address social challenges, they align with the normative attribute of stakeholder theory (Marques et al., 2018). We build and test a research model that takes into account the three attributes of stakeholder theory. To the best of our knowledge, this is the first work to explore these relationships in a single model using quantitative methods.

We test our research model using data collected through a survey of 355 managers in a broad range of sectors. The findings indicate that commitment to social responsibility and social innovation are positively related, as are commitment to social responsibility and reporting about social responsibility. Meanwhile, there is a negative relationship between social innovation and reporting about social responsibility, which points to a potential conflict between declaration and application in the form of social innovation. Finally, the findings indicate a positive relationship between social innovation and customer acceptance, but not between reporting about social responsibility and customer acceptance. Together, these findings suggest that when it comes to social responsibility it might be fair to say that "talk is cheap," while social innovation actions might be said to "speak louder than words."

Our work contributes to ongoing discourses on social responsibility and social innovation. More specifically, we make three important contributions to theory and practice. First, there is a paucity of quantitative research examining the relationships between social responsibility and performance and, with a few notable exceptions (e.g., Candi, Melia, & Colurcio, 2018), between social innovation and performance (Mulgan, Tucker, Ali, & Sanders, 2007; Salim Saji & Ellingstad, 2016). Thus, our work contributes a valuable confirmation of current thinking using quantitative methods. Second, in line with Donaldson and Preston's (1995) proposal of three attributes of stakeholder theory, we bring together three variables that correspond to these attributes—namely commitment to social responsibility (Aguinis & Glavas, 2012; Hess, Rogovsky, & Dunfee, 2002; Wang & Berens, 2015), social innovation (Adams & Hess, 2008; Neumeier, 2012; Pot & Vaas, 2008; Schumpeter, 1949) and reporting about social responsibility (Morsing & Schultz, 2006; Nikolaeva & Bicho, 2011; Reynolds & Yuthas, 2008; Thompson & Zakaria, 2004; Wickert, Scherer, & Spence, 2016). Thus, our work extends the discourse by offering a more complete picture than has heretofore been available. Third, our findings highlight the difference between what firms might say about themselves and what their actions communicate, which offers important implications for practice.

In the next section, we develop the research framework drawing on stakeholder theory and its three attributes as well as arguments for the hypotheses that make up our research model. This is followed by a description of our research methodology and findings. Finally, we discuss the findings, highlight our contributions, cover limitations and offer directions for further research.

2 | THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

2.1 | Social responsibility

Abrams (1951) argues that managers should think not only about profits; they should commit to social responsibility and also think about their employees, customers and society at large. Social responsibility guides firms to pursue policies and decisions that are likely to bring benefits to society (Bowen, 1953) and the environment (Post, Lawrence, & Weber, 2002) "at least partially beyond the firm's direct economic or technical interests" (Davis, 1960, pp. 70–71). Carroll (1979, 1991) argues that social responsibility must include a firm's obligation towards society in addition to economic, legal, ethical and discretionary (philanthropic) expectations. Thus, social responsibility can be seen to exceed basic business expectations (Weisenfeld, 2012).

Over the last few decades, considerable attention has been paid to social responsibility (De Bakker, Groenewegen, & Den Hond, 2005; Dobers, 2009; Nejati & Ghasemi, 2012; Saeidi, Sofian, Saeidi, Saeidi, & Saaeidi, 2015) and there are multiple definitions (Dahlsrud, 2008; Sarkar & Searcy, 2016). But there is general consensus that the broad aim of social responsibility is to simultaneously ensure business profitability and benefit society (Hopkins, 2003). Stakeholder theory (Freeman, 1984) has been used to explain the link between social responsibility and firm performance on the grounds that a firm's commitment to social responsibility reflects its commitment to customers, employees and shareholders (Rodgers, Choy, & Guiral, 2013; Vissner, 2010). Indeed, commitment to social responsibility can be seen as a link to stakeholder identification, involvement and communication (Mitchell, Agle, & Wood, 1997; Morsing, Beckmann, & Reisch, 2006; Morsing & Schultz, 2006).

There has been a great deal of interest in relationships between social responsibility and firm performance, but research findings have been inconclusive (Margolis & Walsh, 2003; Mishra & Suar, 2010; Saeidi et al., 2015; Vogel, 2005). Saeidi et al. (2015) argue that the relationship is spurious and imprecise because it is affected by many factors. This indicates that the relationships—positive, negative or absent—are too complicated to be tested directly without considering intervening factors (Galbreath & Shun, 2012; Margolis & Walsh, 2003; Saeidi et al., 2015; Wood & Jones, 1995). As a response to such criticism, our research takes into account not just social responsibility, but also two forms of action derived from social responsibility, namely social innovation and social responsibility reporting.

2.2 | Attributes of stakeholder theory

Stakeholder theory (Freeman, 1984) is the dominant paradigm at the core of current thinking on social responsibility (McWilliams & Siegel, 2001), and this thinking challenges firms to develop socially responsible agendas to meet stakeholder expectations. Social responsibility requires firms to respond to and take into account a wide range of external stakeholders, such as customers, employees, suppliers, partners, governments, the environment and society in general, as well as to responsibly manage and motivate internal human resources to simultaneously create value for the firm and for society (Eesley & Lenox, 2006; Freeman, Harrison, Wicks, Parmar, & De Colle, 2010; Martinez-Conesa, Soto-Acosta, & Palacios-Manzano, 2017). Freeman (1984, p. 46) defines stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives". Furthermore, the "purpose of stakeholder management [is] to devise a framework to manage strategically the myriad groups that [influence], directly and indirectly, the ability of a firm to achieve its objectives" (Freeman & Velamuri, 2006, p. 12). Stakeholder demands can motivate firms to commit to social responsibility. But while stakeholders can drive firms towards social responsibility, they are also likely to view what appears to be opportunistic social behaviour with scepticism (Jones, 1995) and even mistrust (Mason & Simmons, 2014; Rupp, Ganapathi, Aguilera, & Williams, 2006).

The discourse on stakeholder theory considers the importance of cooperation among stakeholder groups (shareholders, customers, employees, suppliers) (Tullberg, 2013), relationships with stakeholders (Sharma & Vredenburg, 1998; Surroca, Tribó, & Waddock, 2010) and the well-being of society at large (Freeman, 1984; Mithani, 2017). Of particular interest is the perspective advanced by Mason and Simmons (2014), who refer to three attributes of stakeholder theory.

The first attribute of stakeholder theory is the descriptive attribute that reflects actual practices and is concerned with "how businesses relate to stakeholders and why they relate to them as they do" (Brickson, 2007, p. 865). Descriptive attributes describe what the organization actually is and how it manages relationships with stakeholders, who are seen as important and influential drivers, or as "a constellation of co-operative and competitive interests" (Donaldson & Preston, 1995, p. 66), which provide motivation for firms to commit to social responsibility and explain the motivations, processes and outcomes of action towards social responsibility (Frynas & Yamahaki, 2016).

The second attribute of stakeholder theory is the instrumental attribute, which highlights "the connections, or lack of connections, between stakeholder management and the achievement of traditional corporate objectives" (Donaldson & Preston, 1995, p. 71). It is in line with this view that firms recognize the importance of communicating information about social responsibility activities to stakeholders, with the ultimate goal of enhancing firm performance (Mason & Simmons, 2014). Meanwhile, reporting on social responsibility activities has been criticized as fragmented (Russo-Spena, Tregua, & De Chiara, 2018) and claims of fraudulent reporting or "greenwashing" have been levelled (Lyon & Maxwell, 2011).

The third attribute is the normative attribute, which "is explicitly moral and is the domain of ethics" (Freeman et al., 2010, p. 212) and which views social responsibility as an essential requirement of most, if not all, business. Social innovation has been referred to as reflecting a normative stance, which emphasizes creating new products and services that can solve social problems (Klein, Tremblay, & Bussières, 2010; Phills, Deiglmeier, & Miller, 2008).

Based on the three attributes of stakeholder theory, we examine relationships between and among commitment to social responsibility (corresponding roughly to the descriptive attribute) and two variables that measure social responsibility actions, namely, social innovation (corresponding roughly to the normative attribute) and reporting on social responsibility (corresponding roughly to the instrumental attribute). The last two variables represent two different manifestations of a commitment to social responsibility, namely declaring this commitment and its application (Mishra, 2017), respectively. As noted above, the one-to-one correspondence between our variables and the attributes of stakeholder theory is not unequivocal. For example, the argument could be made that social innovation could correspond to the instrumental attribute of stakeholder theory. Nevertheless, we posit that our rough mapping of variables to attributes of stakeholder theory yields a valuable framework for this research by maintaining distinctions among the attributes.

Of particular interest for this research is the notion that firms seek to favourably impress customers—who are the source of the revenues that underpin a firm's performance. Thus, the desire to gain customer acceptance is likely to drive a firm's social responsibility, declarations about social responsibility and applications in the form of social innovation, at least in part. We therefore adopt customer acceptance as our ultimate dependent variable. The research model depicted in Figure 1 is developed below.

2.3 | Hypotheses

Research on social innovation has been growing (Adams & Hess, 2010; Cajaiba-Santana, 2014; Choi & Majumdar, 2015; Pasricha & Rao, 2018) and highlights challenges for policy and management practice (van der Have & Rubalcaba, 2016). Increasing stakeholder expectations with respect to philanthropic and community investment have led businesses to rethink their roles and their social agendas through social innovation to develop innovative solutions to serve social needs (Herman & Renz, 1997; Kanter & Summers, 1994; Mirvis, Herrera, Googins, & Albareda, 2016; Mulgan, 2010; Pasricha & Rao, 2018). Social innovation generally implies a normative stance with the goal of creating something positive for society (MacGregor & Fontrodona,

FIGURE 1 Research model

2008; Osburg, 2013). Meanwhile, it can be difficult to distinguish between social innovation and other innovation (Neumeier, 2012). Indeed, the term social innovation is still rather poorly defined and not well integrated, which leaves a challenge for scholars "to develop generalizable knowledge and formulate articulate theories and hypotheses about the antecedents and consequences of social innovation" (van der Have & Rubalcaba, 2016, p. 1924). Furthermore, quantitative studies on social innovation are scarce, but called for (Salim Saji & Ellingstad, 2016).

Social innovation is explained in the literature as a mechanism through which firms integrate social responsibility (Herrera, 2015). Social responsibility drives firms to engage in innovation that is not necessarily about cutting-edge technology but about solving social problems (van der Have & Rubalcaba, 2016). Both social responsibility and social innovation are likely to signal a firm's commitment to engage with stakeholders (Andriof & Waddock, 2002; Mishra, 2017). And the increased community involvement that often goes hand-in-hand with social responsibility can be positively related with social innovation (Rodgers et al., 2013). Social innovation is closely tied to a firm's commitment to social activities (Mithani, 2017), such as environmentally friendly production and the well-being of employees. Thus, social innovation can be expected to be among the outcomes of firm's commitment to social responsibility (Hansen, Grosse-Dunker, & Reichwald, 2009) and, indeed, a firm's commitment to social responsibility can be viewed as passing a credibility test when resources are dedicated to social innovation (Nelson & Zadek, 2000). The normative attribute of stakeholder theory provides an ethical rationale for translating a firm's commitment to social responsibility into action in the form of social innovation, so the two can be expected to go in tandem (Cajaiba-Santana, 2014; Hellström, 2004). This leads to the following hypothesis:

H1. A firm's commitment to social responsibility is positively related to social innovation.

A number of studies argue that reporting on social responsibility constitutes a form of justification whereby firms manage their legitimacy and reputation (Clarke & Gibson-Sweet, 1999; Hooghiemstra, 2000; Woodward, Edwards, & Birkin, 1996). The more firms are thus exposed to society, the more likely they are to respond to pressure for social innovation (Shabana, Buchholtz, & Carroll, 2017). Social innovation usually rests on a normative stance that addresses societal challenges, which in turn can fulfil stakeholder concerns about transparency about social responsibility (Nekhili et al., 2017), which can be based on reporting on social responsibility (Osburg, 2013). Reporting on social responsibility reflects an instrumental stance (Brammer & Pavelin, 2006; Carroll & Shabana, 2010; Hahn, Figge, Pinkse, & Preuss, 2018), but the increased engagement that is likely to come about through reporting on social responsibility may drive social innovation efforts, reflecting a normative stance (Donaldson & Dunfee, 1994; Hahn et al., 2018; Kolk & Pinkse, 2006; Wickert et al., 2016). Following from these arguments, we hypothesize as follows:

H2. Social innovation is positively related to reporting on socially responsible activities.

Existing research reflects conflicting views about the relationship between firm performance and social innovation. Pol and Ville (2009) argue that social innovation is in conflict with economic perspectives while van der Have and Rubalcaba (2016) argue that social innovation affects corporate identity and strategies, and employee engagement and motivation, as well as private and public interests. Thus, firms that pursue social innovation to create social value (Herrera, 2015) can expect favourable relationships with stakeholders and trust within the firm (Park et al., 2014). Candi et al. (2018) find a positive relationship between social innovation and customer acceptance and Eccles and Serafeim (2013) argue that social innovation has the potential to improve business sustainability, which can increase competitive advantage (Fiorina, 2004; Urbancova, 2013).

Firms might enhance their image and reputation (Gilley, Worrell, Davidson, & El-Jelly, 2000; Rindova, Williamson, Petkova, & Sever, 2005) through social innovation (Varadarajan & Kaul, 2017), which can lead to improved customer acceptance. Finally, in line with the normative attribute of stakeholder theory, social innovation can be viewed as "the right thing to do" (Garriga & Melé, 2004), which can help strengthen customer attraction and retention, and result in new marketing opportunities and customer acceptance (Mason & Simmons, 2014). Drawing from this, we hypothesize a positive relationship between social innovation and customer acceptance:

H3. Social innovation is positively related to customer acceptance.

Reporting on social responsibility dates back to the 1940s as a social audit practice (Carroll & Beiler, 1975) for monitoring, appraising and measuring the social performance of businesses (Carroll & Beiler, 1975; Gond & Herrbach, 2006). Reporting on social responsibility has been defined as the "process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large" (Gray, Owen, & Adams, 1996, p. 3). Reporting on social responsibility is based on the premise that businesses have relationships with various groups of stakeholders (Freeman, 1984) and that reporting on social responsibility could influence the decisions and actions of those stakeholders. Thus, stakeholders' requirements and expectations are likely to drive firms' reporting on social responsibility (Freundlieb & Teuteberg, 2013; Kolk, 2010).

By reporting on their socially responsible activities, firms respond to pressure from stakeholders (Arvidsson, 2010; Basu & Palazzo, 2008; Conley & Williams, 2005; Cooper & Owen, 2007; Johnson & Greening, 1999; Maignan, Ferrell, & Hult, 1999; Young & Marais, 2012) in line with the instrumental attribute of stakeholder theory (Brammer & Pavelin, 2006; Carroll & Shabana, 2010). Therefore, we can intuitively expect that a firm's commitment to social responsibility will be related to its reporting on social responsibility as a process to build and maintain close and collaborative relationships with its stakeholders.

H4. A firm's commitment to social responsibility is positively related with the firm's reporting on its social responsibility.

Mishra (2017) argues that it is beneficial for firms to promote their social responsibility activities and Cheng, Ioannou, and Serafeim (2014) show that reporting on social responsibility promotes transparency and is likely to reduce information asymmetry. Shabana et al. (2017) argue that reporting on social responsibility can lead to new opportunities and improved firm image, which is likely to be related to customer acceptance.

In the context of external socially responsible resource-based perspectives, scholars have argued that reporting on social responsibility is one way to demonstrate socially responsible activities (Chan, Watson, & Woodliff, 2014; Gibson & O'Donovan, 2007) that becomes feasible "when a firm can obtain support from its stakeholders: employee commitment, customer loyalty, attractiveness to investors, collaboration of partners, favorable regulation, endorsement from activist groups, legitimacy from the community, and favorable coverage from the media" (Branco & Rodrigues, 2006, p. 123).

Reporting about social responsibility reflects a decision to provide information aligned with a firm's economic, environmental and social performance and is, therefore, seen as consistent with social norms and expectations (Carroll & Shabana, 2010), which are likely to contribute positively to firm reputation (Husted & Allen, 2007), and as a consequence, customer acceptance. Firms may use reporting about social responsibility as a strategic tool to manage their exposure to relevant stakeholders and emphasize their commitments on environmental, employee and social responsibility aspects to meet the expectations of such stakeholders (Dowling & Pfeffer, 1975; Garcia-Sanchez, Cuadrado-Ballesteros, & Sepulveda, 2014; Gray, Kouhy, & Lavers, 1995). Indeed, reporting on social responsibility can reduce stakeholder scepticism (Du, Bhattacharya, & Sen, 2010), which in turn can contribute to improved performance (Herrera, 2007; 2015).

The need to assuage stakeholders' concerns is a motivating factor for reporting about social responsibility, which is in turn associated with a preferred image and a reputation (Clarkson, Fang, Li, & Richardson, 2013; Reverte, Gómez-Melero, & Cegarra-Navarro, 2016). Firms that are seen to invest in socially and environmentally friendly practices can expect a favourable view from society (Bansal & Clelland, 2004; Waddock & Graves, 1997), which is likely to increase customer acceptance. From an instrumental perspective, firms are likely to report on socially responsible activities because it is good for business (Nybakk & Panwar, 2015), helps overcome stakeholder scepticism and strengthens stakeholder–company relationships (Du et al., 2010). This leads us to hypothesize a positive relationship between reporting about social responsibility and customer acceptance:

H5. Reporting on socially responsible activities is positively related to customer acceptance.

3 | METHODOLOGY

3.1 | Data

The research model (see Figure 1) was tested using data collected from managers of European firms in a broad range of sectors using an online survey. Only for-profit firms were included in the sample, as the purpose of this research was to examine relationships between social responsibility commitment, social innovation, social responsibility reporting and performance for firms that do not have social innovation as their core business. Potential participants were drawn from national registries[1] of businesses. Based on the guidelines offered by Kline (2011), our target goal was to obtain at least 300 responses and, based on an assumption of a 10% response rate, which can be expected in this kind of research involving an online survey, this meant we needed to contact about 3,000 firms. These were selected at random (every *N*th firm selected) from the national registries.

One manager in each firm was contacted by telephone and asked to fill in the online survey; those who agreed were sent a link to the survey. Reminder phone calls were made within a few weeks to those respondents who had not filled in the survey. A total of 355 responses were obtained representing a response rate of 12%, which is considered a good response rate for an Internet survey. Dozens of sectors were represented in the data, and these were classified into sector groups as reported in Table 1.

3.2 | Variables

The survey contained several questions intended to measure commitment to social responsibility (Turker, 2009), social innovation (Brammer, Hoejmose, & Marchant, 2011; Wei, Yang, Sun, & Gu, 2014) and reporting about social responsibility (Brammer et al., 2011). Furthermore, it included questions based on three dimensions of customer acceptance proposed by Griffin and Page (1993, 1996), and Moorman and Rust (1999), namely, customer satisfaction, value for customers and customer needs. Stata version 14.2 was used to conduct exploratory factor analysis with Varimax rotation followed by confirmatory factor analysis to test the measurement model. The items included in the model are listed in Table 2. Measurement model fit statistics were good (Shah & Goldstein, 2006) with a χ^2 of 158 (82 degrees of freedom), a root mean squared error of approximation (RMSEA) of 0.07 and a comparative fit index (CFI) of 0.95.

Table 3 shows the summary statistics, composite reliabilities and pairwise correlations between the variables; all composite reliabilities are over the generally accepted cut-off of 0.7, which indicates convergent validity (Hair, Black, Babin, & Anderson, 2010).

[1]The registries used were The Polish Business Register and The Danish Central Business Register, both of which are publicly available.

TABLE 1 Sector groups represented in the data

Sector groups	Proportion of sample (%)
Advertising and public relations	7
Architecture and design	8
Arts, entertainment, recreation	11
Engineering	8
IT consulting	7
IT services	9
Management consulting	5
Manufacturing and technical	2
Professional services	15
Publishing	3
Software development	10
Other services	15

The data were collected from single respondents, which brings with it concerns about common method bias. Procedural remedies recommended by Podsakoff, MacKenzie, Lee, and Podsakoff (2003) were implemented in the survey and the introduction to the survey clearly stated that responses were anonymous to reduce the propensity to respond in more socially acceptable ways. To test for common method bias, items measuring a variable unrelated to the research questions were included in the survey (Bagozzi, 2011; Lindell & Whitney, 2001). The variable—having to do with communication between employees and customers—was measured using four items. When included in factor analysis, these items loaded on one variable and did not have any cross-loadings with other variables. As an additional test of common method bias, a Harman's test was conducted and resulted in the expected multiple factors with no single factor accounting for the majority of the covariance. Together, these tests provide reasonable confidence that the data did not suffer from common method bias.

TABLE 2 Model variables and items

Variables	Survey items	References
Commitment to social responsibility	Our company has a formal social responsibility strategy Our company contributes to campaigns and projects that promote the well-being of society Our company participates in activities that aim to protect and improve the quality of the natural environment Our company has a policy about social responsibility towards employees	Turker (2009)
Social innovation	Our company invests in research and development projects to improve the well-being of society in the future We strive to improve people's lives through the new products and services we develop We strive to initiate improvements in society through the new products and services we develop We use new technologies to find solutions to social needs	Brammer et al. (2011) and Wei et al. (2014)
Reporting on social responsibility	We communicate our strategy on social responsibility to our stakeholders in a transparent way We advertise our environmental efforts We communicate our strategy on social responsibility to all employees in a transparent way	Brammer et al. (2011)
Customer acceptance	Our customers were more satisfied than our competitors' customers We created more value for customers than our competitors We fulfilled customers' needs better than our competitors did We were better able to retain existing customers than our competitors	Moorman and Rust (1999) and Griffin and Page (1993, 1996)

All survey items were phrased as statements and respondents were asked to select a response from 1 (disagree) to 5 (agree).

TABLE 3 Summary statistics, composite reliabilities (CR) and pairwise correlations between variables

		Mean	Std. dev.	CR	1	2	3	4	5	6
1	Customer acceptance	3.49	0.72	0.91						
2	Firm size	19.94	33.76		−0.02					
3	Investment in R&D	0.15	0.20		0.04	−0.04				
4	Investment in S&M	0.13	0.16		−0.06	0.00	0.13			
5	Commitment to social responsibility	3.04	0.83	0.77	0.31	0.10	−0.10	0.06		
6	Reporting on social responsibility	2.67	1.00	0.82	−0.10	−0.02	−0.12	0.08	0.09	
7	Social innovation	3.14	0.94	0.90	0.38	0.07	0.20	0.02	0.47	0.01

3.3 | Control variables

Different ideas exist about the effects of firm size, which is commonly used in research on social responsibility (Galbreath, 2018; Wu, 2006), and is believed to influence the relationship between social responsibility and performance (Robins & Wiersema, 1995). Furthermore, business level strategies, such as R&D and sales and marketing, are likely to influence the model variables (Galbraith & Schendel, 1983; Woo & Cooper, 1981). Therefore, we included three control variables: firm size as the number of employees in each firm; the percentage of the firm's turnover spent on sales and marketing (S&M); and the percentage of the firm's turnover spent on research and development (R&D).

4 | FINDINGS

The results of structural equation modelling are shown in Table 4. H1 is supported with a statistically significant positive relationship. H4 is also supported. Thus, we can surmise that firms' level of commitment to social responsibility is likely to be related to their level of reporting about social responsibility and to their level of social innovation.

Interestingly, H2 is contradicted, with a statistically significant negative relationship between social innovation and reporting about social responsibility, suggesting that the greater a firm's level of social innovation, the less likely it is to report on its commitment to social responsibility, and vice versa. This suggests a basic conflict between declaring and applying, or saying and doing.

H5 is not supported as there is not a statistically significant relationship between reporting on social responsibility and customer acceptance. Finally, we see that H3 about a relationship between social innovation and customer acceptance is supported with a statistically significant coefficient.

As mentioned earlier, the firms included in the sample represented a broad range of sectors. Thus, it made sense to check for possible sector effects. To do this, we introduced a set of dummy variables, each one representing a distinct sector group (see Table 1) and examined correlations with all the model variables. No statistically significant relationships were found, indicating that our model is robust across the sectors included. Furthermore, the statistically significant findings reported in Table 4 remained unchanged after the addition of the dummy variables.

5 | DISCUSSION

A number of studies have examined the relationship between social responsibility and firm performance, but the results have been mixed. Incomplete models have been highlighted as a possible reason for these inconsistencies (Galbreath & Shun, 2012; Margolis & Walsh, 2003; Saeidi et al., 2015). Therefore, this research examines the relationship between commitment to social responsibility and customer acceptance by taking into account variables for social innovation and reporting on social responsibility.

This research is grounded in the distinction between descriptive, normative and instrumental attributes of stakeholder theory advanced by Mason and Simmons (2014). Each of these perspectives is expected to influence how firms relate to their stakeholders. The descriptive stance reflects how firms operate, while the normative stance can be reflected in social innovation. The instrumental stance relates to achieving performance and can drive reporting on socially responsible activities (Kaler, 2003; Mason & Simmons, 2014). Firms have relationships with a wide variety of stakeholders (Freeman, 1984); thus, stakeholder's requirements and expectations are likely to influence management decisions about reporting on social responsibility (Freundlieb & Teuteberg, 2013) and spur firms to pursue social innovation (Salim Saji & Ellingstad, 2016).

There is growing pressure on businesses to both be socially responsible and engage in social innovation (Mithani, 2017), which resonates with the positive relationship we find between commitment to social responsibility and social innovation. Shabana et al. (2017) found a positive relationship between stakeholder strength and reporting on social responsibility, which is consistent with our finding that commitment to social responsibility is associated with reporting on social responsibility.

Abu Bakar and Ameer (2011) argue that better-performing companies are more likely to report on social responsibility, but we did not find such a relationship between reporting on social responsibility and customer acceptance. Herrera (2015) argues that active engagement with stakeholders, which could include reporting on social responsibility, as well as social innovation drive competitive advantage. Meanwhile, our findings indicate that social innovation might drive customer acceptance, while reporting on social responsibility does not. Our findings suggest that firms that act on their commitment to social responsibility through social innovation are likely to perform better than firms that simply report on their social

TABLE 4 Results of structural equation modelling

	Coef.	Std. Err.	z	P > z
Commitment to social responsibility <				
Investment in R&D	−0.09	0.08	−1.09	0.28
Investment in S&M	0.26	0.08	3.24	0.00
Firm size	0.12	0.08	1.41	0.16
Social innovation <				
Commitment to social responsibility (H1)	0.56	0.07	8.13	0.00
Investment in R&D	0.29	0.07	4.43	0.00
Investment in S&M	−0.08	0.07	−1.19	0.23
Firm size	0.02	0.07	0.31	0.76
Reporting on social responsibility <				
Commitment to social responsibility (H4)	0.99	0.09	11.63	0.00
Social innovation (H2)	−0.33	0.09	−3.53	0.00
Investment in R&D	0.13	0.07	1.81	0.07
Investment in S&M	−0.10	0.07	−1.44	0.15
Firm size	0.11	0.07	1.69	0.09
Customer acceptance				
Reporting on social responsibility (H5)	−0.02	0.08	−0.29	0.77
Social innovation (H3)	0.39	0.07	5.42	0.00
Investment in R&D	0.05	0.07	0.63	0.53
Investment in S&M	−0.04	0.07	−0.63	0.53
Firm size	−0.03	0.07	−0.39	0.70

Coefficients are standardized.

responsibility. This resonates with the disconnect that has been noted between reporting driven by an increased demand for social accountability (Adams, 2004; Milne & Gray, 2007) and actual business strategy (Russo-Spena et al., 2018), and contradicts arguments by Jackson and Apostolakou (2010) that reporting on social responsibility is linked to socially responsible action.

This research uncovers an unexpected finding, namely that of a negative relationship between social innovation and reporting about social responsibility. This suggests that there is something of a conflict, or competition for resources, between making statements about social responsibility and engaging in social innovation activities. Considering the relationships measured with customer acceptance, the findings suggest that customers appreciate and respond to action in the form of social innovation but not to mere expressions of commitment to social responsibility.

5.1 | Contributions

Our work offers three important contributions. First, our research offers a called-for quantitative examination of the relationships between and among social responsibility, social innovation and reporting on social responsibility (e.g., Salim Saji & Ellingstad, 2016). We offer confirmation of the positive relationship between social responsibility and performance argued by existing research (e.g., Abu Bakar & Ameer, 2011; Garriga & Melé, 2004; Griffin & Mahon, 1997; Waddock & Graves, 1997).

Second, by taking into account the three attributes of stakeholder theory (Donaldson & Preston, 1995), we offer new understanding of the interplay among variables corresponding to these attributes. We find that the instrumental, descriptive and normative attributes of stakeholder theory all play a role in the overall relationship between social responsibility and customer acceptance. When firms' commitments to social responsibility drive them to address societal well-being and the improvement of people's lives through social innovation, they can expect to reap improved customer acceptance.

Third, we highlight the difference between "saying" and "doing" by considering the relationship between commitment to social responsibility and customer acceptance and two intervening factors, reporting on social responsibility and social innovation. Firms react to external pressure, which can disconnect them from daily practices and lead to less integrated commitment to social responsibility (Basu & Palazzo, 2008), thus reflecting a defensive and instrumental stance to its social responsibility commitment. Our work confirms existing findings about the positive relationship between social responsibility and firm performance (Abu Bakar & Ameer, 2011).

5.2 | Implications for practice

For practice, our findings suggest that firms that act on their commitment to social responsibility through social innovation ("doing") are likely to perform better than firms that simply inform their stakeholders about firm's activities by reporting on their social responsibility ("saying"). This highlights the importance of consistency between strategic intent and what is actually realized in innovation practice, which, in turn, can help managers to respond to pressure from their stakeholders and gain competitive advantage. The research findings suggest that managers need to turn their attention towards society and proactively improve stakeholder satisfaction through an application of social responsibility, specifically through social innovation.

5.3 | Limitations and directions for further research

This research is subject to a number of limitations. First, the research relies on survey self-reporting and cross-sectional data, which, even though our tests did not indicate it, raises the potential issue of common method bias. Furthermore, our survey used a five-point Likert scale with scales anchored by "agree" and "disagree," which may be vulnerable to acquiescence bias (Harzing, 2006). A solution to avoid impact from extreme response styles is to use a Likert scale with a larger number of categories, e.g., 10-point Likert scale. This would allow respondents to express more nuanced positions (Harzing, 2006).

We included only for-profit firms in our sample with the goal of omitting firms that have social innovation as their core business. However, it is not impossible that some of the firms in the sample are for-profit firms that base the creation of these profits on social innovation. Future research that includes for-profit social innovators is certainly called for as well as research that compares for-profit firms that engage in social innovation as an add-on, for-profit firms that have social innovation at the core of their business, and not-for-profit social innovators.

We did not distinguish between internal and external stakeholder groups, which may limit our understanding. Internal stakeholders of the firm include owners, boards of directors, managers and employees, while stakeholders external to the firm are customers, competitors, unions, suppliers, financial intermediaries, local community, activist groups, partners, government agencies and administrators, non-governmental organizations/activist groups and society. It is believed that firms that identify and strategically distinguish among these groups may further their ability to develop comprehensive plans to receive desirable results and performance. Therefore, further research should examine how commitment to social responsibility towards different stakeholder groups and social innovation directed at these groups is related with customer acceptance.

This research contributes to further understanding of social responsibility and a call for further research on the competing forces—in the form of the three attributes of stakeholder theory—that can be at play.

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5 Discussion

This section discusses the contributions of the three papers to theory and practice and describes the benefits that those interested in social responsibility can gain from the insights and results offered.

5.1 Implications for theory

This dissertation views firms' engagement with social responsibility as a potential contributor to success. Such success can be gained through taking into account the well-being of a firm's stakeholders, including employees and customers, in addition to shareholders. This dissertation deals with firms' commitment to social responsibility and with reporting on social responsibility and social innovation as manifestations of social responsibility. Separately, and in combination, these have a possibility of contributing to business success.

Firms are likely to respond to stakeholder pressure for social responsibility through a variety of means and approaches. At the more opportunistic end of the spectrum of approaches, firms might be driven to report on activities that fall under the remit of social responsibility. At the other end of the spectrum, firms might take a more strategic stance and make formal commitments to social responsibility and engage in social innovation. This dissertation responds to calls for social responsibility by examining what motivates firms to engage in socially responsible activities and how they pursue accountability to various stakeholders. Furthermore, it looks into the question of competitive benefits that might be gained through social responsibility. Stakeholder theory, and the three attributes of stakeholder theory, the descriptive, instrumental and normative, form the theoretical framework for the research.

The majority of research on social innovation is based on anecdotal evidence and case studies (Cajaiba-Santana, 2014) with a paucity of quantitative empirical work (Mulgan et al., 2007). This dissertation responds to calls for methodological frameworks that take into account the complex nature of social responsibility (Cajaiba-Santana, 2014).

5.1.1 Paper 1

Paper 1 provides insight into social responsibility within the context of a professional service firm (PSF) and demonstrates how a shared and articulated service concept centered on social responsibility brought value by minimizing conflicting perspectives. A narrative methodology was used to analyze longitudinal data from a single case. The narrative describes the perspectives of old and new management and old and new employees' mental pictures and compares the groups to uncover the misalignment between them and to suggest improvement in interpretation and communication through a shared and articulated service concept during change. The rapidly growing PSF studied was found to have difficulty during change, which caused tensions. The paper demonstrates how a shared and articulated service concept can help an organization to overcome the challenges associated with change. This suggests that the process of establishing and communicating a service concept focused on social responsibility can help overcome challenges associated with change and to clarify and make the company culture more apparent without threatening the roles of employees. These tensions were alleviated to some extent by the development of the service concept “great services, delivered ethically.” In addition to highlighting the value of a shared and articulated service concept, this points to the potential value of aligning such a service concept with social responsibility.

The paper contributes to the literature on PSF management (Løwendahl et al., 2001; von Nordenflycht, 2010) by uncovering the misalignment of mental pictures (Clark et al., 2000) and demonstrates how a shared and articulated service concept (Goldstein et al., 2002; Sasser et al., 1978) can bring value by minimizing conflicting perspectives. The findings indicate that developing and implementing a strategy that reflects a firm’s social responsibility and processes can function as a tool to reconcile the tension between management and, in the case examined, new and veteran employees. This paper provides insight and understanding of social responsibility and how important it is to commit to CSR and communicate the strategy.

5.1.2 Paper 2

Paper 2 provides insight into CSR reporting in SMEs by building on the three attributes of stakeholder theory proposed by Mason and Simmons (2014). It explores the variety of forms through which SMEs communicate their CSR efforts. The findings indicate that SMEs that have implemented formal commitments to CSR are likely to take a more normative approach to CSR reporting–which means being more formal and deliberate–than SMEs that have not made such a commitment; such firms are more likely to take a more instrumental stance.

SMEs that have not implemented a formal CSR strategy but intend to do so in the future appear to begin with an instrumental stance towards CSR but, as they mature in their approach, become more normative. The normative stance then grows as and when SMEs feel obliged or compelled to report on their CSR commitments and activities. Four propositions are developed based on empirical evidence (Eisenhardt, 1989). Furthermore, the study proposes a model that describes how each stakeholder attribute perspective is connected to reporting.

5.1.3 Paper 3

Paper 3 examines the relationship between and among firms' commitment to, reporting on, and application of social responsibility in the form of social innovation and customer acceptance. This paper offers a called-for quantitative analysis of social responsibility and social innovation. Like Paper 2, this paper builds on the three attributes of stakeholder theory (descriptive, instrumental and normative) in line with Donaldson and Preston (1995) and further advanced by Mason and Simmons (2014). Stakeholder theory (Freeman, 1984) offers important implications regarding how firms respond to stakeholders and how stakeholder response can impact performance (Galbreath, 2018). By building on the three attributes of stakeholder theory, Paper 3 offers a more holistic view of social responsibility than is common in existing research. While the descriptive attribute of stakeholder theory can be seen to correspond to a commitment to social responsibility (Aguinis & Glavas, 2012; Hess et al., 2002; Wang & Berens, 2015), the instrumental attribute can be seen as aligned with reporting on social responsibility (Morsing & Schultz, 2006; Nicolaeva & Bicho, 2011; Reynolds & Yuthas, 2008; Thompson & Zakaria, 2004; Wickert et al., 2016)–or "saying"–and social innovation (Adams & Hess, 2008; Neumeier, 2012; Pot & Vaas, 2008; Schumpeter, 1949) can be seen to reflect the normative attribute of stakeholder theory–or "doing".

The findings of Paper 3 indicate that "saying" and "doing" yield different results. "Saying" in the form of reporting on social responsibility is not related with customer acceptance, but "doing" in the form of social innovation is. Both "saying" and "doing" are positively related with firms' commitment to social responsibility and thus we can say that commitment to social responsibility is related to customer acceptance when mediated by social innovation. Furthermore, a negative relationship was found between reporting on social responsibility and social innovation, indicating that the greater a firm's level of social innovation is, the less likely the firm is to report on social responsibility, and vice versa.

Paper 3 makes an important distinction between commitment to social responsibility, social innovation, and reporting on social responsibility. The paper contributes to theory in that which reporting on social responsibility and social innovation are widely believed to be necessary, important, and beneficial, but the distinction between the two concepts (i.e., reporting on social responsibility and social innovation) tends to be blurred. They differ fundamentally since the former is concerned primarily with public "saying," whereas the latter is more about "doing," i.e., actual actions undertaken by the firm. Paper 3's findings demonstrate that this distinction is justified and important.

5.2 Implication for practice

5.2.1 Paper 1

This paper offers implications for practitioners, particularly managers of professional workers in PSFs. The paper addresses a misalignment in the mental pictures of professional workers, which is likely to cause misunderstandings during times of change. This misalignment can lead to a number of challenges that can be alleviated through the design and adoption of a shared and well-articulated service concept. Such a service concept can, and perhaps should, include or focus on social responsibility.

Due to concerns about efficiency, PSF managers try to impose control over their resources who are professional knowledge workers, and this effort can lead to obstacles and confusion within the firm. According to the findings of this study, a shared and fully articulated service concept may help in the management of change. Engaging professional knowledge workers in non-confrontational articulation of the service concept can be beneficial, and according to the findings of this research, a service concept aligned with social responsibility can be particularly useful.

5.2.2 Paper 2

The findings of Paper 2 indicate that SME managers may lack the necessary resources—in terms of finance, knowledge, and expertise—to develop and implement a well-defined CSR reporting scheme. Meanwhile, CSR reporting is perceived by SME managers as a positive activity that could improve business and communication with a firm’s stakeholders.

The findings suggest that SMEs with formal CSR strategies are likely to adopt a normative stance and report on CSR, while SMEs without formal CSR strategies are likely to adopt a descriptive or instrumental stance. The normative stance can be described as firms’ specific approach to moral obligations and how a firm treats stakeholders. The descriptive stance describes how managers act, how the firm is concerned with how the world is and the impact the firm can have on the wider environment. The instrumental stance is more concerned with making profit and is used to identify potential connection, or lack thereof, between business objectives, such as growth and profitability, and stakeholders. SMEs can be descriptive in their approach to CSR reporting but become more instrumental, thereby prompting the need for increased CSR commitment to inform stakeholders about how the firm relates and complies with its CSR. This occurs when SME managers recognize that the organization can derive a potential competitive advantage for its commercial offerings through

CSR reporting. SMEs are likely to respond to stakeholder pressure and adopt an instrumental or a normative stance and attain the latter when their CSR commitment increases their credibility, i.e., when CSR is recognized as justifiable and worthwhile.

A well-established and defined CSR reporting scheme may improve communication, organizational reputation, and stakeholders' views of an organization. Meanwhile, SMEs that report on CSR may expect a downward shift in reputation if they are exposed as having reported outdated, irrelevant, or fraudulent information. The findings indicate that SME managers are concerned with the cost involved in developing CSR strategies and in CSR reporting and that they may lack the awareness and knowledge necessary to adopt and create long-term value by developing and implementing CSR strategies.

In order to positively impact stakeholders through CSR reporting, managers must provide an accurate representation of their current status with respect to commitment to CSR. Employed in an instrumental fashion, CSR reporting by SMEs may be rewarded economically and financially. However, managers need to carefully avoid providing a high volume of information about CSR, bearing in mind that quantity does not always equal quality.

CSR reporting can be justifiable and worthwhile, especially if it lays the foundation for SMEs to provide information to their stakeholders transparently and truthfully. In order to positively impact stakeholders through CSR reporting, managers must provide an accurate representation of their current status with respect to commitment to CSR and avoid simply providing a high volume of information about CSR, since quantity does not always equal quality.

5.2.3 Paper 3

This paper offers insight for practitioners into ways to proactively improve stakeholder satisfaction, specifically that of customers, through social innovation. It highlights the importance of differentiating between reporting on social responsibility (i.e., "saying") and social innovation (i.e., "doing"). According to the research findings, a commitment to investing in social responsibility, which might involve reporting on social responsibility ("saying") by, for instance, creating public statements describing the firm's commitments to social responsibility, will not lead to improved performance by itself. Instead, social responsibility embodied as social innovation is found to be positively related to customer acceptance.

5.3 Limitations

Qualitative studies are prone to limitations due to context-dependent phenomena that may affect smaller sets of companies and do not allow for broad generalizations. In qualitative research, the primary instrument for data collection and analysis is the researcher, who attempts to provide a complete analysis and detailed descriptions of phenomena. In qualitative research, findings cannot be extended with the same degree of certainty to different situations as they can in quantitative research, because the findings derived from qualitative research are not tested for statistical significance. On the other hand, instrument construction in quantitative research depends on credibility and a structured approach to the research, and so the involvement of the researcher in the research process might reduce the validity of the research's findings.

Since participants reported their own perspectives in the case interviews as well as in the survey, self-reporting bias and cross-sectional data bias are potential limitations. For example, respondents' lack of understanding of social responsibility, or their desire to give socially acceptable responses, could result in an overestimation of their firms' social responsibility.

Paper 1 is based on a single case study, which calls generalizability into question. However, a single case study has the potential to shed light on unique or extreme situations, which can offer value to broader contexts through the development of general propositions, like those developed in Paper 1.

The qualitative approaches employed in Paper 1 and Paper 2 involved a broad range of techniques to arrive at useful insights based on observed patterns in the configurations of ideas. These can offer insights into how to address similar contexts (Neergaard, 2007). Thus, in Paper 2, to overcome weaknesses of qualitative research, a pilot case study was performed followed by a multiple case study in two countries. The pilot case was performed to identify important variables to guide the selection of multiple cases that were added until saturation was reached (Strauss & Corbin, 1990). Furthermore, a critical approach to sense-making and iterative process of analyzing the data was used to identify emerging codes and themes that were corrected and refined during data collection (Levitt et al., 2018). Data were collected through semi-structured interviews that were recorded and transcribed. To gain insight and further strengthen the research protocol various sources of data were used as recommended by Johl and Renganathan (2010) including follow-up interviews, email communication, telephone conversation and other material such as firms' documents and promotional materials. Data were analyzed using within case coding and cross-case coding as recommended by Gioia et al. (2013). The comparative analysis recommended by Ragin (2014) was performed after the cross-case analysis was completed.

The quantitative study reported in Paper 3, relied on cross-sectional data measuring manager's perspectives about commitment to social responsibility, reporting on CSR, social innovation, and firm performance. Self-reporting bias is a potential threat in data collected using surveys in which managers are asked to evaluate their own firms. This can result in managers overestimating things such as the social responsibility activities of their firms. The survey used was new and had not been validated using previous studies. Moreover, managers' perspectives are likely to change over time, along with changes in technology and economic development, which makes it impossible to compare their perspectives over time. Thus, a longitudinal approach would be beneficial in future research.

A limitation to the generalizability of the research findings is that the survey was conducted in a variety of business sectors. Respondents may have understood the survey questions differently, depending on sector, thereby potentially affecting the interpretations of the findings. However, robustness testing did reveal that the findings reported in Paper 3 were consistent across sectors. Future research should take potential sector differences into account. Furthermore, it would be beneficial to replicate this research in different countries with other sociocultural, political, or economic contexts for further generalizability of the results obtained.

5.4 Directions for future research

This dissertation aims to contribute to our understanding of social responsibility. In doing so, the dissertation draws attention to important questions of whether CSR activities are likely to help firms to accomplish their business goals while at the same time providing value for the greater good of the society. Paper 1 points to the need to better understand how conflict in professional service firms can be diminished through an articulated service concept with social responsibility at its core. A potential direction for future research would be to test quantitatively the propositions put forth in Paper 1. Even though Paper 1 did not directly approach social responsibility as a solution to overcome challenges of PSFs it has a clear link to internal and external stakeholder, the employees, managers, and customers, and the challenges that managers face to overcome conflict during organizational change. In particular, the social responsibility element of the articulated service concept needs to be disentangled from the service concept itself to determine which is more important. This can shed further light on how social responsibility can help professional service firms to overcome potential tension between managerial control and professional employees. Another potential direction for future research is to quantitatively test the propositions put forth in Paper 2 to gain further understanding of the mechanisms that drive SMEs' commitment to social responsibility and CSR reporting based on opportunities for potential gain seen in the instrumental perspective of stakeholder theory, on the one hand, and the normative perspective, on the other hand.

Brickson (2007) and Jensen (2002) argue that instrumental attributes of stakeholder theory apply to firm performance, a similar argument can be found in Egels-Zandén and Sandberg (2010) indicating that the instrumental stance is important for commercial success, profitability and competitive advantage. Paper 3 did not find support for a relationship between firms' commitment to social responsibility and customer acceptance mediated by reporting on social responsibility, which is aligned with the instrumental attribute of stakeholder theory. One interesting direction for future research could thus be based on the normative attribute of stakeholder theory, since Papers 2 and 3 indicate that the normative stance has the potential to draw stakeholder attention and improve stakeholder satisfaction. Future research could clarify whether commitment to social responsibility and reporting on social responsibility in firms that generate unbiased information to stakeholders in a sustainable way and provide truthful information generated by the firm can drive customer acceptance.

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Appendix A: Interview protocols used for Paper 2

Preamble

Before I start the interview, please let me remind you that all information's gathered in this interview will be kept anonymous and your name will not be used in any reporting. I would like permission to record the interview (all the interviewees agreed to this).

Phase 1 interview protocol

1. *What beforehand expectations did you have about implementing CSR in the company?*
2. *What is your position on the CSR policy in the firm?*
3. *What negative aspects of implementing CSR have you noticed?*
4. *What might have been done better in terms of the CSR implementation process?*
5. *What do you think CSR means for the firm?*
6. *What are some of the new things you have learned during the CSR implementation process?*
7. *How do you think that implementing a CSR strategy at your firm could influence the company's service offerings?*
8. *What specific new services could you envision offering?*
9. *What is your opinion of the success of the CSR strategy implementation process?*
10. *How do you think CSR will benefit the firm?*
11. *How has CSR changed the firm?*
12. *How has CSR changed the meaning of your work at your firm?*

Phase 2 interview protocol

1. *What do you know about corporate social responsibility (CSR)?*
2. *Do your firm have a formal written policy on CSR in place?*
3. *Do you think CSR has a greater effect on bigger firms or smaller firms?*
4. *Do you think it is more important for bigger firms to behave ethically than smaller firms?*
5. *Do you think SMEs should implement CSR strategies?*

If respondent answered yes to formal written policy on CSR:

1. *Do you see some progress or advantages after you implemented your CSR strategy?*
2. *Do feel that other firms would prefer to do business with you because you have implemented a CSR strategy?*
3. *Do you direct your business toward CSR committed firms?*

If respondent answered no to formal written policy on CSR:

1. *What do you see as the main hindrance or reason for your firm's lack of interest in CSR?*

   Examples (if needed): do you see it as a threat, i.e. expensive; time consuming or something organizations should not think about at the organization level?

Phase 3 interview protocol

1. *Does your organization have a formal policy regarding social responsibility?*

If the answer to the first question is Yes:

2. *Does your firm report its policy regarding social responsibility in transparent fashion?*
3. *On what particular aspects of social responsibility does your firm report?*
4. *In what ways has your firm formulated a policy on social responsibility?*
5. *What are your thoughts about how reporting on social responsibility can lead to differentiation and competitive advantage for your firm?*
6. *What are some of the reasons that your firm reports on its social responsibility?*
7. *How many people work in your firm?*
8. *What is your opinion about how large a firm needs to be for it to make sense to implement a policy on social responsibility?*
9. *Do you think that some firms have difficulty obtaining the knowledge or expertise needed to implement or describe a social responsibility strategy? Please elaborate.*

If the answer to the first question is No to CSR defined policy

1. *What could cause your firm to implement a strategy on social responsibility?*
2. *What are your thoughts about how reporting on social responsibility may lead to differentiation and competitive advantage for your firm?*
3. *What might be some of the reasons why it might NOT make sense for your firm to report on social responsibility?*
4. *How many people work in your firm?*
5. *What is your opinion about how large a firm needs to be for it to make sense to implement a policy on social responsibility?*
6. *Do you think that some firms have difficulty obtaining the knowledge or expertise needed to implement or describe a social responsibility strategy? Please elaborate.*

Appendix B: Co-author declarations

Paper 1: Articulating the service concept in professional service firms

Date: 5th August 2016

To: Reykjavik University School of Business

From: Dr Ahmad Beltagui

RE: **Co-author Declaration**

I am co-author with Kjartan Sigurðsson on the article entitled *"Articulating the Service Concept in Professional Service Firms"*. I hereby confirm that Kjartan Sigurðsson contributed about 50% of the work involved in writing the article. More specifically, he contributed as described below:

	Description of PhD student's contribution
Research model	Contributed to the development of the research model along with other authors.
Data collection	Collected over 90% of the interview and observation data used for this paper.
Data analysis	The paper uses a narrative methodology and Kjartan played a key role in developing and verifying the narratives.
Article section/chapter: Introduction	Initiated pivotal suggestion to conceptualize the service concept around social responsibility.
Article section/chapter: Background	Contributed as needed.
Article section/chapter: Research Design	Played a key role in developing and implementing the methodology.
Article section/chapter: Findings	Played a key role in developing and verifying the narratives and deriving the findings.
Article section/chapter: Discussion and Conclusion	Contributed as needed.
Other	

Date: August 5, 2016

To: Reykjavik University School of Business

From: Marina Candi

RE: **Co-author Declaration**

I am co-author with Kjartan Sigurðsson on the article entitled *"Articulating the Service Concept in Professional Service Firms"*. I hereby confirm that Kjartan Sigurðsson contributed about 50% of the work involved in writing the article. More specifically, he contributed as described below:

	Description of PhD student's contribution
Research model	Contributed to the development of the research model along with other authors.
Data collection	Collected over 90% of the interview and observation data used for this paper.
Data analysis	The paper uses a narrative methodology and Kjartan played a key role in developing and verifying the narratives.
Article section/chapter: Introduction	Initiated pivotal suggestion to conceptualize the service concept around social responsibility.
Article section/chapter: Background	Contributed as needed.
Article section/chapter: Research Design	Played a key role in developing and implementing the methodology.
Article section/chapter: Findings	Played a key role in developing and verifying the narratives and deriving the findings.
Article section/chapter: Discussion and Conclusion	Contributed as needed.
Other	

Date: 4 August 2016

To: Reykjavik University School of Business

From: Johann c.k.h. Riedel

RE: **Co-author Declaration**

I am co-author with Kjartan Sigurðsson on the article entitled *"Articulating the Service Concept in Professional Service Firms"*. I hereby confirm that Kjartan Sigurðsson contributed about 50% of the work involved in writing the article. More specifically, he contributed as described below:

	Description of PhD student's contribution
Research model	Contributed to the development of the research model along with other authors.
Data collection	Collected over 90% of the interview and observation data used for this paper.
Data analysis	The paper uses a narrative methodology and Kjartan played a key role in developing and verifying the narratives.
Article section/chapter: Introduction	Initiated pivotal suggestion to conceptualize the service concept around social responsibility.
Article section/chapter: Background	Contributed as needed.
Article section/chapter: Research Design	Played a key role in developing and implementing the methodology.
Article section/chapter: Findings	Played a key role in developing and verifying the narratives and deriving the findings.
Article section/chapter: Discussion and Conclusion	Contributed as needed.
Other	

Paper 3: Saying and Doing: Social Responsibility Declared and Applied

Date: February 27, 2019

To: Reykjavik University School of Business

From: Marina Candi

RE: **Co-author Declaration**

I am co-author with Kjartan Sigurðsson on the article currently entitled *"Saying and Doing: Social Responsibility Declared and Applied"*. I hereby confirm that to date Kjartan Sigurðsson has contributed about 50% of the work involved in writing the article. More specifically, he has contributed as described below:

	Description of PhD student's contribution
Research model	Led the development of the research model.
Data collection	Formulated the survey items for the new variables included and was involved in collecting the data.
Data analysis	Followed the data analysis.
Article section/chapter: Introduction	Framed the paper and its contribution.
Article section/chapter: Theoretical framework and hypotheses	Conducted and wrote up the literature review. Co-developed the arguments for the hypotheses.
Article section/chapter: Methodology	Co-developed the methodology section.
Article section/chapter: Findings	Led the development of implications based on the findings.
Article section/chapter: Discussion	Led the formulation of the discussion.
Other	