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Master Thesis

Barriers and Drivers Influencing Commitment to Social Responsibility and Social Innovation – A Multi-Case Study of German Small and Medium-sized Enterprises

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Date of Submission:
October 21, 2022

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Statutory Declaration

I hereby declare that I have written this thesis "Barriers and Drivers Influencing Commitment to Social Responsibility and Social Innovation – A Multi-Case Study of German Small and Medium-sized Enterprises" independently and on my own, without any unauthorized outside help, and exclusively using the sources and tools listed. All text passages as well as illustrations that have been taken literally or in essence from published writings have been marked as such.

Furthermore, I declare that this thesis has not been used as an examination paper in any other course of study or at any other location.

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Acknowledgements

Abstract

The aim of this study is to investigate what drives or inhibits German Small and Medium-sized Enterprises (SMEs) to commit to social responsibility and how this commitment can possibly result in innovation activities with a social purpose. This also involves finding out what influence stakeholders have on the commitment to social responsibility. In this context, a qualitative research methodology with multiple case studies was used to holistically examine the concept of social responsibility and related innovative activities in German SMEs. To this end, semi-structured interviews were conducted with ten SME representatives to gain deeper insights into the views and perceptions of SMEs on the topics of social responsibility, social innovation and stakeholder management. The data was first evaluated within the single cases and on this basis analyzed across cases to identify similarities and differences.

The findings indicate that the availability of resources to integrate social responsibility into business activities are inhibiting factors. However, the willingness to engage in social responsibility ultimately depends on the personal beliefs of SME managers, which is why the owner-managed capital structure of SMEs in particular is beneficial for independent decisions on social responsibility investments. In this context, the intrinsic motivation of companies to "do the right thing" is identified as the main driver for social responsibility commitment. It is further found that employees are the main source of innovation for initiating social developments, which is why their well-being is also a key motivation to engage in social responsibility. In addition, this study also revealed that employees, customers, and the community have a much greater influence on social responsibility decisions than shareholders and investors.

The literature assumes that SMEs are driven by either values with social innovation being the output or by value with increased social responsibility being the output. The study found that the intrinsic drive of "doing the right thing" grew stronger over the course of doing business, which is why most German SMEs are initially guided only by values, without actively pursuing social innovation, but later also tend to become more value-driven and strive to integrate social responsibility into innovative activities.

Although the findings suggest that certain key stakeholders play an influential role in SMEs' commitment to social responsibility, German SMEs are still not aware of the strategic benefits of integrating social responsibility into their overall business. This leads to the practical implication that SMEs should actively involve key stakeholders in company-related expectations regarding socially responsible practices. Moreover, targeted recruitment of professionals from the field of sustainable management could also provide the necessary expertise to strategically integrate social responsibility into the business.

This study also offers insights on which further research can build to develop new approaches to studying the motivational factors for social responsibility engagement. Future research could, for example, focus on examining the relationship between resource endowment and SMEs' engagement in socially responsible activities to determine whether engagement in social responsibility depends solely on resource endowment. In addition, future studies could explore what interests and motivations drive SME stakeholders to provide insight into why companies should engage in socially responsible activities.

Table of Contents

Index of Abbreviations

CEO	Chief Executive Officer
Cf.	Compare
CSR	Corporate Social Responsibility
E.g.	For example
Et al.	And others
EUR	Euro
HR	Human Resources
Ibid	In the same place
I.e.	That is
IT	Information Technology
IoT	Internet of Things
Mio.	Million
OECD	Organization for Economic Co-operation and Development
SME(s)	Small and Medium-sized Enterprise(s)
Vs.	Versus

List of Figures

List of Tables

1   Introduction

The multidisciplinary concept of social responsibility is attracting worldwide attention from academics and practitioners (Carroll, 1991, 1999; Carroll & Shabana, 2010; Morsing & Perrini, 2009; Stekelorum, 2020) and is becoming increasingly important in today's global world (Rexhepi et al., 2013) as it is of great interest to both companies and society at large (Baden et al., 2009; Bahta et al., 2021). The topic includes social responsibility commitments, which can range from social and environmental issues (Carroll & Shabana, 2010; Jenkins, 2006; Santos, 2011) to social innovation (Husted & Allen, 2007; Sigurdsson & Candi, 2019; Yin & Jamali, 2016). However, the combined topic of social responsibility and innovation is not explicitly addressed in the literature (Korra et al., 2018; MacGregor & Fontrodona, 2008) and has only recently been explored (cf. Luo & Du, 2015; Rexhepi et al., 2013; Sigurdsson & Candi, 2019).

Since large organizations have always been the focus of studies in the field of social responsibility, socially responsible activities are rarely researched in Small and Medium-sized Enterprises (SMEs) (Fassin et al., 2011; Magrizos et al., 2021), although SMEs make up the majority of companies in several countries around the world (Coppa & Sriramesh, 2013) and play an important role for economic growth in the OECD area as they create most new jobs.[1] SMEs account for 99 percent of OECD companies and provide 85 percent of jobs in most countries.[2]

In addition, the literature often indicates that socially responsible activities are commitments that are directed at stakeholders in order to meet their needs (Harrison et al., 2010; Morsing & Perrini, 2009; Sigurdsson & Candi, 2019). Stakeholders are considered as groups or individuals who have either a direct or indirect interest in the company, or are defined as actors who can either affect or are affected by the pursuit of the company's goals (Freeman, 2011). Stakeholder theory (Freeman, 1984) examines the relationship between a company and its stakeholders and assumes that an organization exists within a broader social system (Deegan & Unerman, 2011).

The knowledge gap on social responsibility in SMEs and related innovation outcomes leads to a poor understanding of the factors that influence engagement in social responsibility and social innovation, as well as the role stakeholder interests play in this, resulting in a lack of insight as to why SMEs should practice social responsibility (Bocquet et al., 2019; Park et al., 2014; Russo & Perrini, 2010). The need to investigate social responsibility in the SME sector has already been identified in several studies (Iturrioz et al., 2009; Magrizos et al., 2021; Martinez-Conesa

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[1] The Organisation for Economic Co-operation and Development (OECD) is an institution that advocates policies to foster prosperity, equality, and well-being in order to meet global challenges (cf. https://www.oecd.org/about/).
[2] European Commission (2021). **Internal Market, Industry, Entrepreneurship and SMEs: Access to finance**. https://single-market-economy.ec.europa.eu/access-finance_en. Last retrieved on 22.9.2022

et al., 2017; Santos, 2011; Sweeney, 2007) since they significantly contribute to economic growth, social cohesion, employment and local development (Lukács, 2005; OECD, 2019). The present thesis therefore aims to provide a deeper understanding of the barriers and drivers that influence the commitment to social responsibility and its translation into social innovation in SMEs. In addition, the study aims to investigate the role of stakeholders in SMEs' commitment to social responsibility, leading to the following research questions RQ1 and RQ2 of this study:

RQ1: "What drives or inhibits German Small and Medium-sized Enterprises to commit to social responsibility and, as a result, to develop or not develop innovation with a social purpose?"

RQ2: "To what extent do stakeholders influence the commitment to social responsibility?"

To answer the research questions, the literature on social responsibility in the context of social innovation in SMEs is reviewed using a qualitative multiple case study. In doing so, the three attributes (Donaldson & Preston, 1995) of stakeholder theory (Freeman, 1984) are used to better understand the drivers for engaging in social responsibility and social innovation in SMEs. The descriptive attribute outlines how stakeholders influence the commitment to social responsibility, the instrumental attribute includes how this commitment is communicated, and lastly, the normative attribute describes the commitment to solve social problems through innovation (Sigurdsson & Candi, 2019). Furthermore, a stakeholder perspective is taken to identify which stakeholders influence the commitment to social responsibility in SMEs and to what extent.

When assessing the integration of social responsibility into business practices is important to distinguish between "talking" social responsibility, in other words the exclusive reporting of it, and "walking" social responsibility in terms of its actual implementation (Baumann-Pauly et al., 2013). The practical relevance of this study is therefore to determine how German SMEs communicate their socially responsible activities and how they implement social responsibility that can potentially lead to innovations with a social intent. In addition, studying the implementation of social responsibility through stakeholder involvement can help decision makers to better understand the benefits of social responsibility (Bocquet et al., 2019; Vo, 2011).

The structure of the thesis is as follows: First, the theoretical background required to introduce the research topics is presented. Chapter three describes the methodology for the evaluation of the data obtained from the selected cases. In chapter four, the case findings are presented on the basis of selected generic categories. The findings are then analyzed comparatively within the categories and summarized at the end of chapter four. Finally, the thesis ends in chapter five with a critical discussion of the results, addressing limitations and providing implications for practice and future research, as well as concluding insights from this thesis.

2   Theoretical Framework – Literature Review

For a better overview of how the following theoretical concepts relate to the research objectives outlined in the introduction, the interrelationships are shown in a conceptual model in figure 1.
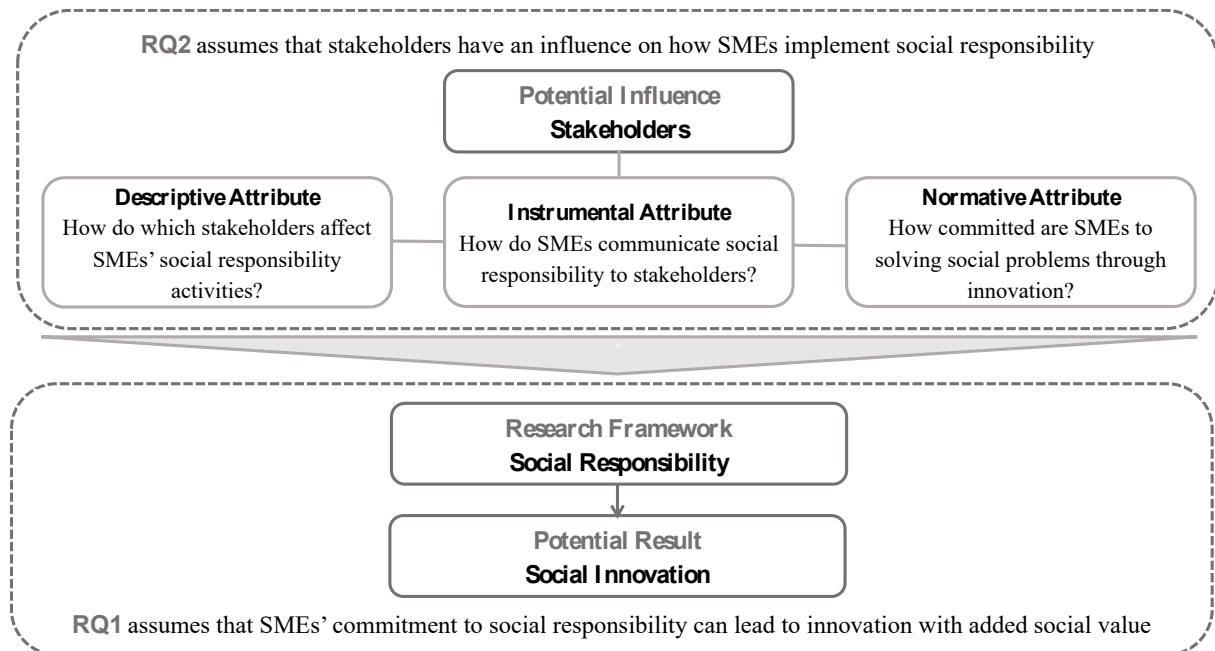
Figure 1: Conceptual model linking the research objectives to theory (own illustration)

2.1 Stakeholder Theory

According to Carroll (1991), "there is a natural fit between the idea of […] social responsibility and an organization's stakeholders" (p. 43). Harrison et al. (2010) suggest that the impact of companies' socially responsible activities on their relationships with stakeholders should be considered holistically in order to meet stakeholder needs. Stakeholders can be defined as those who have a general direct or indirect interest in the company, or those who have an impact on the company's goals or are affected by the pursuit of the company's goals (Freeman, 2011). Stakeholders with a direct interest are referred to as primary stakeholders, such as employees, customers, and shareholders (Fassin, 2012). In addition to these, there are also interest groups that have an indirect influence on the company, also referred to as secondary stakeholders, such as the environment, civil society, or the government (ibid, 2012). Since considering the different stakeholders' interests is seen a prerequisite for the legitimacy of the management function, meeting their needs is critical to the firm's financial performance (Donaldson & Preston, 1995).

From instrumental stakeholder theory (Jones, 1995) the perspective is adopted that meeting and coordinating the (sometimes conflicting) interests of various stakeholders improves a firm's social performance. Since stakeholder theory suggests considering stakeholders in corporate decision-making processes (Freeman, 2011), the success of social responsibility actions may

depend on the company's relationships with its stakeholders (Russo & Perrini, 2010). Freeman (1998) asserts that top management has a duty to ensure the well-being of the company and to coordinate the claims of stakeholders with different interests. The underlying rationale is that such stakeholders may be more interested in the company's social performance than its financial performance, and supporting activities can therefore then be used to meet stakeholder demands (Gray et al., 2009). Thus, the theoretical notion of social responsibility is gaining practical importance as a variety of stakeholders increasingly demand that companies act in a socially responsible manner (Ofori & Hinson, 2007).

When society decides that companies have responsibilities to their stakeholders, companies are expected to be accountable for certain activities that affect their social performance (Gössling, 2003). Pressure on corporate accountability is increasing, as relevant stakeholders (e.g. customers, investors, employees) no longer prioritize only the financial performance of a company's portfolio, but increasingly evaluate the way companies live up to their social responsibility (Barnett & Salomon, 2006). From a stakeholder perspective, the active and continuous involvement of stakeholders relevant to the company creates a positive and long-term relationship, which in turn creates benefits such as a sustainably increase the company's financial stability (Carroll, 1991; Post et al., 2002; Waddock & Graves, 1997).

Increasing attention is paid to the dependence of SMEs on interpersonal relationships with various stakeholders (Spence et al., 2003). Within the framework of stakeholder theory, it is argued that stakeholders are an encouragement for SMEs to engage in social responsibility and improve related activities (Morsing & Perrini, 2009). In this context, it is also noted that employee motivation and community involvement are central pivots of SMEs' business (Aguilera et al., 2007; Laudal, 2011; Russo & Perrini, 2010). Therefore, SMEs support their local surroundings (e.g. other companies) and also feel a special obligation towards their employees, which is why they offer them social benefits that go beyond legal requirements (Spence & Lozano, 2000).

While the literature identifies stakeholders of a company as a driving force behind the commitment to social responsibility, other drivers mentioned, especially for SMEs, are often moral and ethical arguments, from which the main motivation to engage in social responsibility follows more from an internal impulse than from external pressure (Jenkins, 2009). A study by Grimstad et al. (2020) shows that in particular the intrinsic motivation of SMEs is the key driver in implementing social responsibility because giving back to society is the right thing to do and is therefore done out of free will. This finding was already supported by Nooteboom (1988), with the recognition that SMEs are driven more by values than by goal-oriented rationality.

The Three Attributes of Stakeholder Theory

To understand what drives or inhibits a corporation from committing to social responsibility, stakeholder theory (Freeman, 1984) can be viewed as a combination of instrumental, descriptive, and normative attributes (Donaldson & Preston, 1995). Later, Mason and Simmons (2014) proposed a stakeholder systems model that can be used for the practical application of these three attributes, taking into account that companies can also have more than one of the three attributes. Each dimension presented in the attributes is intended to reflect how companies manage relationships with their stakeholders, or the influence that stakeholders have on company objectives and priorities (Sigurdsson & Candi, 2019).

The Descriptive Attribute of Stakeholder Theory

Descriptive rationales attempt to prove that theoretical concepts can be found in reality (Donaldson & Preston, 1995). The descriptive attribute can be used to understand a company's commitment to social responsibility (Sigurdsson & Candi, 2019), as it describes the stakeholders' interests and expectations of an organization, how it interacts with its stakeholders, and the outcomes for both parties if the expectations are met (Mason & Simmons, 2014). In addition, the descriptive attribute outlines how an organization manages relationships with its stakeholders, which can motivate companies to engage in certain interests such as social innovation (Frynas & Yamahaki, 2016). Thus, the descriptive dimension refers not only to how companies interact with their stakeholders, but also to how stakeholder influences affect business agendas and how companies align their priorities according to stakeholder needs (Brickson, 2007).

The Instrumental Attribute of Stakeholder Theory

The instrumental attribute illustrates the link between stakeholder management and the achievement of corporate economic goals such as growth and profitability (Donaldson & Preston, 1995) and describes the potential contribution of stakeholder management to organizational performance (Mason & Simmons, 2014). To enable improvement in business performance, companies can enter into a dialog with stakeholders by communicating information about socially responsible activities to them (Mason & Simmons, 2014). Furthermore, the communication of social responsibility activities to stakeholders is an important instrument to ensure the company's performance, effectiveness and reputation (Balmer & Greyser, 2006; Mason & Simmons, 2014; Sigurdsson & Candi, 2019).

The Normative Attribute of Stakeholder Theory

The normative attribute embeds the corporate function in the moral or ethical domain for corporate activity and management (Donaldson & Preston, 1995). Social innovation corresponds to the normative attribute that emphasizes the application of new ideas to create new products and services that are designed primarily to target social challenges rather than to make a profit (Marques et al., 2018). This is because the normative dimension is based on the ethical behavior of companies towards their stakeholders (Mason & Simmons, 2014), i.e., companies engage in social responsibility because they believe it is the right thing to do (Garriga & Melé, 2004). Thus, social innovation can reflect or support a company's ethical and moral values by converting these values into tangible outcomes (Klein et al., 2010; Sigurdsson & Candi, 2019).

2.2 Definition and Conceptualization of Social Responsibility

Within the realm of stakeholder theory, the concept of Corporate Social Responsibility (CSR) implies that, as part of their economic responsibility, companies should consider all business activities that could have an impact on the company and its interactions with stakeholders, while voluntarily contributing to social and sustainability issues (Sarkar & Searcy, 2016). While Bowen (1953) stated that managers should take society's goals and values into account when conducting business, the European Commission has expanded CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (European Commission, 2001, p. 8). Social responsibility is the formal or informal commitment of companies to act ethically and contribute to economic development while improving the quality of life of employees, the local community and society in general (Holme & Watts, 2000). It therefore describes the continuing obligation of organizations to be accountable to their stakeholders, going beyond purely financial aspects (Gössling & Vocht, 2007; Turker, 2009).

A substantial problem of the CSR concept is that there is no standard framework to measure it reliably with appropriate metrics (Carroll, 2000; Waddock & Graves, 1997). Although several methods exist to measure socially responsible activities, all have limitations due to their own methodological boundaries such as the concepts used (e.g. stakeholder theory vs. corporate citizenship) and the depth of inquiry (Turker, 2009). One widely accepted method is the use of scales to measure individuals' perceptions of social responsibility (Turker, 2009). Although a variety of scales have already been developed to measure individual perceptions of social responsibility (cf. Aupperle et al., 1985; Quazi & O'Brian, 2000), only a few scales for measuring social responsibility at the corporate level (cf. Maignan & Ferrell, 2004) can be found in the

literature (Turker, 2009). However, developing comprehensive measures of corporate social activity that truly capture social performance is a challenge (ibid, 2009).

Another way of measuring social responsibility can be disclosure, which is mainly the subject of recent studies (cf. Ali et al., 2017; Fahad & Nidheesh, 2020; Giannarakis, 2014; Omran & Ramdhony, 2015). The European Parliament and the Council of the European Union (2014) obliges large-scale enterprises to publish information regarding social responsibility on a regular basis, which is why an increasing availability of information on social responsibility in non-financial reports can be observed (Caputo et al., 2021; Perrault Crawford & Clark Williams, 2011; Stolowy & Paugam, 2018). In the absence of common regulations for implementing non-financial disclosures, standards and norms, such as the Global Reporting Initiative Standard, provide guidance for reporting on social responsibility (Sethi et al., 2017).

Another problem with the CSR concept is of a terminological nature and consists in the fact that there is no generally accepted definition of the concept (cf. Crane et al., 2016; Lampadarios et al., 2017; Zahoor et al., 2020). Furthermore, the underlying research and theory relates to large companies and therefore cannot be easily applied to small businesses (Murillo & Lozano, 2006). Therefore, in the further course of the thesis, the term of social responsibility will be used, which is also related to the field of CSR, but takes into account the context and specifics of small businesses (Jamali et al., 2009; Wickert et al., 2016) and thus describes the activities of smaller companies that lead to changes with social added value (Soundararajan et al., 2017).

2.2.1 Benefits of Social Responsibility

When examining the factors that can influence social responsibility commitment, it is important to understand the benefits of engaging in social responsibility. The commitment to social responsibility can benefit both society and companies (Księżak, 2017) by increasing profitability of companies and at the same time create social benefits (Lee & Chen, 2018). For example, engaging in social responsibility can lead not only to social improvements (e.g. increase in working conditions) but also to financial savings (e.g. reduction of raw material consumption), environmental improvements (e.g. reduction of waste generation), as well as product improvements (e.g. better product quality) (Luken & Stares, 2005).

Other benefits identified in the literature that can result for companies by engaging in social responsibility include creating a positive image and reputation, which can influence consumer buying and loyalty behavior (Kervyn et al., 2012; Smith, 2003), attracting and retaining the most capable employees (Turban & Greening, 1997) as well as improving customer loyalty by increasing their general appreciation for the company (Brown & Dacin, 1997; Du et al., 2011).

Social responsibility also represents an opportunity to reshape the competitive landscape and develop dynamic resources and capabilities (Husted & Allen, 2007). Yet, not only does it require special resources and capabilities to gain a competitive advantage, but the external environment should also be consistent with corporate strategic action: strategic motives in particular seem to be especially important in gaining long-term financial market and positional advantages from a commitment to social responsibility (Brammer et al., 2011). Strategic action, in turn, is determined by the values of top management, including a commitment to profit and social responsibility (Berman et al., 1999).

Even though the insights of research conducted in the area of social responsibility indicate that socially responsible activities are beneficial for companies, they do not necessarily translate into financial results (Lee et al., 2009; Margolis et al., 2009). Although during the past 30 years many reviews of studies examining the relationship between social responsibility and a company's financial performance have been published (Arlow & Gannon, 1982; Griffin & Mahon, 1997; Margolis & Walsh, 2003; Preston & O'Bannon, 1997; Roman et al., 1999), the empirical evidence on the direction of the link between social responsibility and corporate financial performance has been inconclusive (cf. Margolis et al., 2007; Margolis & Walsh, 2003).

However, to ensure that social responsibility is beneficial to both companies and society, it is recommended that its implementation is consistent with the company's strategy (Kucharska & Kowalczyk, 2019). In addition, social responsibility itself can be considered a business strategy, integrated as a key objective to enhance the company's competencies and thus create additional business value and positive social change (Leadbeater, 1997). Furthermore, the perception of value creation through social responsibility also depends on the extent to which social responsibility is integrated into business processes and innovative activities (Husted & Allen, 2007).

2.2.2 Reporting on Social Responsibility

Literature suggests that large companies in particular express their commitment to social responsibility by reporting on related activities in accordance with standards to face public scrutiny from stakeholders and gain legitimacy for their business (Arvidsson, 2010; Branco & Rodrigues, 2006; Panwar et al., 2014). Reporting on social responsibility concerns articulating and explaining a company's commitment to social responsibility by communicating its activities that benefit society both inside and outside the company (Sigurdsson & Candi, 2019).

When implementing social responsibility, a distinction has to be made between "talking" and "walking" social responsibility in a business context (cf. Baumann-Pauly et al., 2013; Berliner & Prakash, 2015; Haack et al., 2012). This refers, on the one hand, to the documentation of

social responsibility that is primarily directed externally ("talk") and, on the other hand, to the implementation of social responsibility in the form of practices and procedures in core business operations ("walk") (Wickert et al., 2016). In this context, "talking" social responsibility encompasses the various communication channels, such as reports, corporate websites, advertising, and product labeling (Du et al., 2010), used by companies to communicate with stakeholders (Balmer & Greyser, 2006). In contrast, "walking" includes positive changes with added social or environmental value that are initiated by the company (Aguilera et al., 2007).

According to Jenkins (2009), SMEs are less likely to report externally on their social responsibility performance and more likely to create internal metrics that can be used for a learning outcome to improve both business and social performance. The fact that many SMEs do not produce reports or otherwise make public statements on social responsibility (Nielsen & Thomsen, 2009), makes their social responsibility efforts rarely visible to the outside world (Wickert et al., 2016). Instead, they tend to tacitly engage in social responsibility and therefore "walk" social responsibility (Baumann-Pauly et al., 2013) by integrating social and green practices into their routines without reporting on them (Jorgensen & Knudsen, 2006; Russo & Perrini, 2010).

2.3   Definition and Conceptualization of Social Innovation

The transformation of a new idea (invention) into a commercial product or process is defined as an innovation, describing different aspects of the innovation process and involving different actors (Vinokurova & Kapoor, 2020). A company's ability to continuously innovate its products and knowledge assets is a dynamic capability that is essential for sustainable success in adapting to changing environments (Lichtenthaler & Lichtenthaler, 2009; Menzel et al., 2007). Innovation capital therefore describes a company's capability to renew itself, which is reflected in intellectual property and other intangible assets (e.g. trade secrets) (Bose, 2004).

In general, innovation becomes a requirement when problems at the local, regional, global level get worse, systems do not work or institutions do not reflect the current problems (Mulgan et al., 2007). Social innovations help where innovation deficits are accompanied by a social need (Mulgan, 2006) and can be viewed as a technological innovation that emerges within new social arrangements (Klein et al., 2010). For example, the growing diversity of cities requires innovative ways of organizing schooling, language instruction and housing to minimize the risks of conflict (Mulgan, 2006). Although research on social issues related to management, entrepreneurship, and public management has increased, the topic is still poorly explored in the literature, which is why the principles and boundaries of social innovation processes are not yet clearly defined (Cajaiba-Santana, 2014; Candi et al., 2019; Mulgan, 2006).

In this context, even innovative companies face many significant obstacles in their attempts to creatively address social problems (Chalmers, 2013). For example, organizations are inherently risk averse and largely tend to prefer incremental solutions over disruptive innovations that change social systems and structures (Nicholls & Murdock, 2012). The reasons for social innovation failure are poorly understood, and it remains unclear whether social innovation and social entrepreneurship produce tangible results (Chalmers, 2013). According to Mulgan (2006), innovation must involve failure, but the willingness to fail is limited, so innovation is more successful where risks can be assessed and where users have a choice among alternatives.

The importance of the social dimension of innovation is now widely recognized (Cajaiba-Santana, 2014; Candi et al., 2019) and has expanded to the point where the innovation process itself is viewed as social action (Hellström, 2004). Social innovation is about developing solutions to social challenges as part of a company's innovation activities (Sigurdsson & Candi, 2019). The concept thus refers to new ideas that are translated into innovative activities and services and are motivated by the goal of meeting a social need such as health support groups, complementary medicine, and carbon-free living (Mulgan, 2006). In this context, social innovations are mostly developed and disseminated by organizations whose main purpose is social (ibid, 2006).

Candi et al. (2019) identified the following three perspectives on the social aspect of innovation in the literature: first, the sociological and economic perspective that places social innovation in a not-for-profit context; second, a hybrid perspective in which companies seek to combine the for-profit and not-for-profit worlds to solve social problems; and third, research that considers the social dimension of innovation consistent with a business ethics perspective. In the present thesis, based on Candi et al. (2019), the business ethics perspective of innovation is adopted, with the underlying assumption that innovation will serve the needs of both business and society, creating shared value for all firm stakeholders.

MacGregor and Fontrodona (2008) translated the existing theory of social responsibility into a model of social innovation targeting SMEs. Social responsibility is presented as an innovation process that small companies often do not effectively use for their value creation due to the absence of formalization and proactive behavior (ibid, 2008). SMEs are assumed to be driven either by *values*, with an initial focus on social responsibility, or by *value*, with a focus on innovation. While *value* tends to be associated with the categories "employees", "supply chain", and "customers" of social responsibility, *values* are associated with the "community" and the "environment" (MacGregor & Fontrodona, 2008). The two perspectives lead to a virtuous cycle between social responsibility and innovation that has a two-way effect (see figure 2).
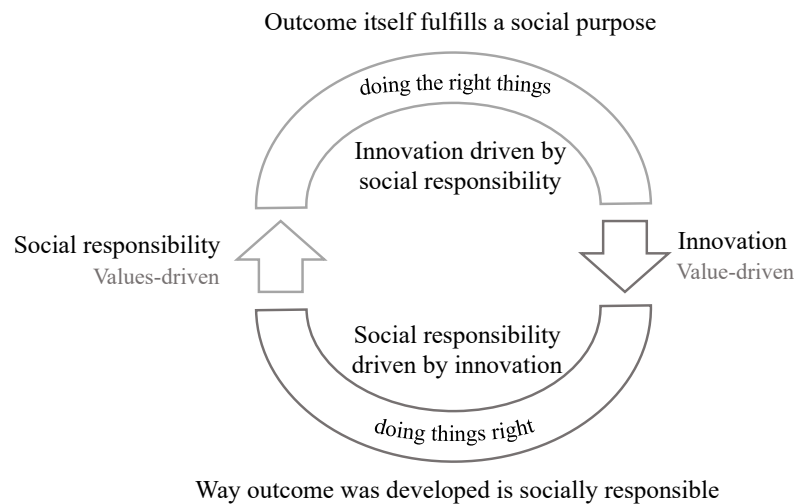
Figure 2: Virtuous cycle of social responsibility and innovation based on MacGregor and Fontrodona (2008)

One the one hand, *innovation driven by social responsibility* is driven by *values* and includes as an outcome products or services that fulfill a social purpose (MacGregor & Fontrodona, 2008). One the other hand, *social responsibility driven by innovation* is driven by *value*, whereby the outcome may not be exclusively socially justified, but the way in which the outcome was developed, e.g. through employee or supplier actions, is socially responsible (ibid, 2008). While *innovation driven by social responsibility* is about "doing the right things", *social responsibility driven by innovation* encompasses the pursuit of corporate added value and is about "doing things right" (MacGregor & Fontrodona, 2008, p. 13). Views on the actual motivation of SMEs are ambiguous: for example, MacGregor and Fontrodona (2008) assume that SMEs are driven by value, while Korra et al. (2018) believe that socially responsible activities trigger the innovation process, suggesting that SMEs are driven by values.

2.4   The Link between Social Responsibility and Social Innovation

Although the link between social responsibility and social innovation has received increasing scholarly interest over the past decade (cf. Candi et al., 2019; Cegarra-Navarro et al., 2016; Ratajczak & Szutowski, 2016; Sigurdsson & Candi, 2019), it is not explicitly addressed in the literature (Korra et al., 2018; MacGregor & Fontrodona, 2008; Martinez-Conesa et al., 2017). While researchers assert that innovation is related to business performance and one of the key drivers of competitiveness (Clark & Guy, 1998; Simmie, 2004), it remains largely unexplored how SMEs' social responsibility activities can positively influence their innovation performance (Martinez-Conesa et al., 2017).

The implementation of socially responsible activities can lead to the development of new technologies and innovations, which in turn can contribute to the progress of society (Carroll et al.,

2018). One way to implement social responsibility could be embracing innovative activities and services promoted by organizations or individuals to meet a social need (Mulgan, 2006). Such social innovations can bring about social change that can ultimately be institutionalized as new legitimized practices to solve social problems (Cajaiba-Santana, 2014). For example, when businesses commit to foster social well-being and improve people's lives through social innovation, they can expect greater customer acceptance (Sigurdsson & Candi, 2019). In addition, improving the innovative capacity of SMEs through socially responsible and sustainable initiatives can strengthen their competitiveness (Bahta et al., 2021).

The widespread adoption of social responsibility programs also allows companies to strengthen their relationships with various stakeholders and facilitate the sharing of external knowledge that complements the company's skill base and drives innovation (Korra et al., 2018). Thus, SMEs that adopt socially responsible practices have the opportunity to gain a competitive advantage through innovation (Korra et al., 2018). Social responsibility can therefore also be a mechanism to promote innovation and consequently improve the profitability of socially responsible companies (Bahta et al., 2021).

The link between innovation and social responsibility is ambiguous: innovation is a fundamental driver of social responsibility and vice versa (MacGregor & Fontrodona, 2008). On the one hand, innovation often triggers the creation of social processes and achievement of economic goals (Cegarra-Navarro et al., 2016). On the other hand, to be successful and innovative today, companies need to consider the social and environmental impacts of their operational processes, and collaborate with their employees, suppliers, customers as well as other business partners in the development of new and innovative products and services (Rexhepi et al., 2013).

2.5   Small and Medium-sized Enterprises

Much of the scholarly discussion regarding the implementation of social responsibility has focused on large companies (Clarkson, 1995; Lee, 2008; Panwar et al., 2017; Porter & Kramer, 2006, 2011; Spence et al., 2003) while less attention has been paid to SME social responsibility (Martinez-Conesa et al., 2017; Santos, 2011). The lack of research on the way social responsibility is implemented in SMEs justifies the need to develop a holistic view of the characteristics of SMEs. The following chapter outlines the economic and social importance of SMEs, their unique features and related challenges, and their role in the context of social responsibility.

2.5.1 Definition and Importance of Small and Medium-sized Enterprises

Despite their recognized importance, definitions for SMEs vary by country, e.g., due to prevailing country-, region- or industry-specific socio-economic conditions, so there is no universally accepted definition for SMEs (Harvie & Lee, 2002; Lampadarios et al., 2017). There are several definitions of SMEs based on a variety of indicators, such as number of employees, investment capital, and sales volume (Soundararajan et al., 2017). Since this study examines German SMEs located in the European economic area, the following definition of the European Union will be used in the further course of the thesis: SMEs are defined in most countries as companies with fewer than 250 employees, annual sales of no more than EUR 50 million and/or an annual balance sheet total of no more than EUR 43 million (European Commission, 2020).

In SMEs, the entrepreneur himself determines the overall purpose of the enterprise and generally also the choice of product, production process, market and location (Nooteboom, 1988). Across the OECD, SMEs account for 99 percent of all companies and are responsible for more than half of Europe's value added (OECD, 2019). In the German economy, over 99 percent of all companies are SMEs, providing around 55 percent of jobs.[3] In summary, SMEs make up the vast majority of companies in most countries and not only affect the employment level, but also shape the quality of life and the socio-political structure of an economy (Nooteboom, 1988).

2.5.2 Characteristics of Small and Medium-sized Enterprises

Rather than viewing small businesses as a scaled-down version of large businesses, theories of SMEs should instead identify the motivations and vulnerabilities of smaller firms and recognize that they are different from those of large enterprises (Westhead & Storey, 1996). As pointed out by Freeman et al. (1983), SMEs are characterized by two key features, referred to as the *liability of smallness* linked to the *liability of newness*. The former refers to the company size and the related set of available resources, i.e., the smaller a company is, the more resource constraints it has, making it more vulnerable to internal and external shocks, such as the resignation of a key employee, a drop in financing options, or a global economic crisis (Eggers, 2020). The latter refers to the degree of novelty of a company, pointing to startup firms as a special form of SMEs. Stinchcombe (2000) believes that new companies have a greater risk of failure than incumbent firms because they have fewer market knowledge, lack established business models, are dependent on large global supply chains, and have low legitimacy.

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[3] Bundesministerium für Wirtschaft und Klimaschutz (2022). **Erfolgsmodell Mittelstand**. Available online: https://www.bmwi.de/Redaktion/DE/Dossier/politik-fuer-den-mittelstand.html. Last retrieved on 22.07.2022

In terms of company size, smaller companies have weaker supply chain capabilities than their larger competitors and are therefore more vulnerable to supply chain disruptions and price increases than larger companies (WTO, 2020). Further, some case studies identify limited financial resources as one of the main barriers for SMEs to engage in social responsibility (Avram & Kühne, 2008; Bylok, 2016; Cortes & Lee, 2021; Hsu & Cheng, 2011). In contrast, however, other studies suggest that awareness of and commitment to social responsibility does not only depend on company size or tangible resources (Surroca et al., 2010), but also rely on factors such as type of industry, organizational structure, or personal motivation of company managers (Baumann-Pauly et al., 2013; Fracarolli Nunes et al., 2021; Russo & Perrini, 2010).

Compared to large enterprises and startups, SMEs struggle to adapt their operations to the current situation (OECD, 2019). Thus, one of the key challenges SMEs face is that they are highly dependent on global supply chains and face resource constraints along with liquidity issues, which is why they do not recover easily from demand and supply disruptions (OECD, 2021). Furthermore, SMEs heavily dependent on bank loans to develop their business (Wehinger, 2013), which is why banks attribute a higher risk and thus stricter credit conditions to SMEs (Piette & Zachary, 2015). Due to the resulting lower revenues and/or stricter investment policies they often lack financial resources (Eggers, 2020; Lee et al., 1999), which also makes it difficult for them to operate in a competitive environment (European Commission, 2020). Besides financial limitations, SMEs also have to face structural barriers, such as a lack of management and technical skills and limited knowledge about expansion opportunities (ibid, 2020).

Although the two main characteristics of smallness and newness are often classified as barriers to SME growth (Magrizos et al., 2021; Wang, 2016), they can also benefit them. For example, their size helps them to leverage informal and local networks of personal relationships to obtain and assess external information (Nooteboom, 1988). Being smaller, it is easier for them to have closer relationships and access to their customers and other stakeholders, who in turn can provide them with valuable market information about competitors, technical capabilities, financials, as well as government regulations (Eggers et al., 2012; Nooteboom, 1988).

2.5.3 Social Responsibility in Small and Medium-sized Enterprises

The most common argument for examining social responsibility at the level of large enterprises is that the characteristics of SMEs, compared to large firms (e.g. small size, lack of resources), are a barrier to social and environmental efforts and to the development of innovation (Ciliberti et al., 2008; Perez-Sanchez et al., 2003; Strobel & Kratzer, 2017). That is why they are more likely to initially address economic objectives that directly affect their profitability (Walker &

Preuss, 2008). It is further argued that the main reason why SMEs do not engage in social responsibility activities is that such efforts entail additional costs (Lepoutre & Heene, 2006). In this context, some studies suggest a positive correlation between the company size and the commitment to social responsibility (Lepoutre & Heene, 2006; Perrini et al., 2007; Sharma, 2000). Thus, larger companies would be more committed to social responsibility practices than smaller firms (Kucharska & Kowalczyk, 2019). Related to this line of argument is also the statement by Friedman (1970) that socially responsible activities come at the expense of shareholders and therefore lead to a decline in profits. According to this line of reasoning, the costs associated with socially responsible activities are higher than the potential revenues.

Further, an analysis of Santos (2011) shows that the social responsibility activities of SMEs are more likely to be developed in an unstructured and ad hoc manner, which is why they are not formally integrated into the corporate strategy. Whereas SMEs' involvement in social responsibility tends to be ad hoc, social responsibility in large companies is found to be more institutionalized (Jamali et al., 2009; Perrini et al., 2007). Hence, the absence of dedicated departments or strategies for social responsibility, and the compilation of sustainability reports disclosing on social-environmental engagement is less common in SMEs (Jamali et al., 2009).

A critical point of argument in the debate on SMEs and social responsibility is whether the commitment of SMEs can be reasonably compared with the socially responsible activities of large companies (Jenkins, 2004). Recently, more attention has been paid to SMEs' commitment to social responsibility (cf. Batle et al., 2018; Inyang, 2013; Martinez-Conesa et al., 2017; Morsing & Perrini, 2009; Perrini, 2006; Santos, 2011; Spence, 2016), also highlighting that the understanding of social responsibility in large companies cannot be transferred to SMEs as they are inherently different in their characteristics (Magrizos et al., 2021; Spence, 2016).

One reason why social responsibility is practiced differently in SMEs than in large companies is that in SMEs the main decision-makers are the managing owners who, unlike in large companies, have to decide on the use of their own capital instead of debt capital (Zastempowski & Cyfert, 2021). It has further been shown that SMEs' social responsibility activities are motivated more by personal ethical beliefs than by company-related motives (Habisch, 2004; Jenkins, 2009). That SME managers often do not see the benefits of social and eco-friendly activities, but seem to care about their social responsibility, is more due to their personal values than to strategic intent (Brammer et al., 2011). Thus, the beliefs of SME owners influence the ethical and socio-ecological orientation of the company (Spence & Rutherfoord, 2003), leading to a different form of social responsibility engagement for SMEs (Baumann-Pauly et al., 2013).

3   Methodology

3.1   Analytical Approach

Qualitative research is an approach to describe, decode and translate social phenomena occurring in the real world (Maanen, 1979). To explore the two research questions in terms of barriers and drivers that influence SMEs' commitment to social responsibility, a *qualitative research methodology* was used as it is particularly suited to investigate the difficulties perceived and motivations experienced by SMEs to commit to social responsibility (Murillo & Lozano, 2006).

The choice of a qualitative investigation is based on two reasons: first, the research topic relates to a research field about which little is known, making qualitative research particularly suitable for exploring a topic further (Creswell & Poth, 2018; Saunders et al., 2009). The study is exploratory in nature, as the specific nature of the influences of SMEs' commitment to social responsibility is unknown, which is why the aim of the research is to gain a deeper understanding of why SMEs engage in social responsibility (Saunders et al., 2009). Because the study is exploratory, a qualitative approach was appropriate to obtain a holistic overview of the widely unknown topic (Miles & Huberman, 1994). Second, the nature of the information to be collected and analyzed in this research required a deeper understanding of a complex phenomenon that could only be explored through the perceptions and views of the SMEs (Creswell, 2007).

Among the various qualitative methods available, *case study research* was selected, in which a case is studied in a real-life and contemporary setting (Creswell, 2007). The case study is a research strategy that seeks to understand the dynamics in individual situations and, based on these empirical observations, to verify existing or redefine new theories (Eisenhardt, 1989). In addition, the use of case study research is particularly appropriate for this thesis because collecting evidence from a case study is independent of prior literature or past empirical evidence, making it suitable for studying real-life phenomena about which little is known (Eisenhardt, 1989). This was the case because not only has the topic of social responsibility been researched by numerous disciplines through the application of various theoretical frameworks, but also the topic for SMEs is largely unexplored. Therefore, on the one hand, there are different views on the commitment to social responsibility, and on the other hand, there is a knowledge gap on social responsibility in SMEs in the context of social innovation and stakeholder involvement.

Case studies can involve either single or multiple cases, as well as numerous levels of analysis (Yin, 2009). In the context of the present work, a *multiple case study* was chosen to gain an in-depth understanding of the cases since it provides more robust and reliable results compared to a single case study (Baxter & Jack, 2008; Creswell & Poth, 2018). Within a multiple case study,

the findings of one case study are compared and contrasted with the findings from other cases (Eisenhardt, 1989; Yin, 2009). In this regard, the multiple case study approach is suitable for research on German SMEs as it provides the opportunity to analyze individual cases (Creswell & Miller, 2000) and subsequently explore the differences within and between cases (Yin, 2009).

3.2 Case Selection and Sampling

It is recommended to choose the sample size that has the best opportunity for the researcher to reach data saturation (Fusch & Ness, 2015). Guest et al. (2006) found that data saturation occurs within the first twelve interviews, with key elements and themes already uncovered in six interviews within the data set. Data saturation is reached when no new data is uncovered and no new topics are likely to emerge (Fusch & Ness, 2015). According to Eisenhardt (1989), data saturation is reached when incremental learning decreases as the number of cases increases, since only phenomena are observed that have already been discovered before. In this regard, the point at which data saturation is reached may vary from study to study, which is why the researcher added participants until the interviews were no longer perceived to yield any new information as recommended by Eisenhardt (1989).

In order to select an appropriate sample, two criteria must be met in sample selection with regard to the concepts addressed in this thesis: first, since the study involves SMEs, they need to define themselves according to the definition of the European Commission (2020). Second, the concepts discussed in this thesis relate to commitment to social responsibility and resulting social innovation. For this reason, the researcher used the purposive sampling, which is a non-random sampling strategy that collects data from a population that meets specific criteria to serve the purpose of the study (Etikan, 2016). The only publicly available platform that meets these requirements and thus serves as a sampling frame for selecting German innovative SMEs is the TOP 100 competition. It represents the independent award for innovation management in Germany that identifies the 100 most innovative companies in the German SME sector.[4] Therefore, the sample is selected based on the most innovative SMEs identified by TOP 100 in 2021.

A total of 82 companies were contacted in different batches for this research. All were initially contacted via email (see appendix 4), with 60 not responding and seven companies withdrew due to lack of time capacity to participate. The ten companies that responded and agreed to be interviewed received another email to schedule an appointment and a request to complete a questionnaire-based survey (see appendix 5). In order to discuss the research questions in an

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[4] TOP 100: **Die Prüfkriterien des TOP 100-Wettbewerbs**. https://www.top100.de/pruefkriterien.html. Last retrieved on 23.06.2022

interview setting, the interviews place via the Microsoft Teams online communication platform with the exception of one telephone conversation. These types of communication tools were chosen due to geographic distance and to be consistent with the current pandemic measures. The interviews lasted an average of one hour and were conducted in German.[5] The interviews were tape-recorded and transcribed using AmberScript software. The transcripts produced were then reviewed by the researcher and adjusted according to the reading flow. The final transcripts were translated into English using the translation platform DeepL Pro for further data analysis.

3.3   Data Collection

In order to answer the research questions as holistically as possible, data collection should be comprehensive and therefore draw on multiple sources (Creswell, 2007). For this reason, the data was triangulated from two qualitative data collection methods to provide an extensive data collection and achieve data saturation (Fusch et al., 2018; Fusch & Ness, 2015). Triangulation is a method of exploring the different levels and perspectives of a phenomenon and ensures that the data is examined in-depth, thereby providing the validity to the study findings (Fusch & Ness, 2015). Furthermore, the use of different sources and the triangulation of data contribute to the credibility and trustworthiness of the study (Yin, 2016). Therefore, the websites of the respective SMEs were also reviewed to collect further information about the companies such as type of sector, business type, and main products/services.

Data Collection Method

The means chosen for data collection were, first, a questionnaire and, second, semi-structured interviews. The questionnaire is used to gather initial information about the company and its position on the issues of social responsibility and social innovation, as well as its stakeholders. Semi-structured interviews were chosen, because they are well suited for exploring perceptions and opinions of respondents on complex and sensitive topics, allowing to ask for further information and clarify questions asked and/or answers made (Barriball & While, 1994).

The development of the interview questions as well as the survey questions is based on existing scientific sources on the topics of social responsibility, social innovation, and stakeholder management. This is why the main questions partly emerged from the literature, whereby the formulation was modified by the researcher in order to make them suitable for the topic as well as understandable for the interviewees. To ensure the quality of the research and to make the scientific basis of the research verifiable, the sources used for the main questions of the interview

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[5] Since the interviews were conducted among German SMEs, the interviews were also conducted in German.

as well as the survey questionnaire are listed in appendix I and II. The sub-questions resulted from the main questions and were developed by the researcher herself.

Questionnaire-Based Survey

The questionnaire (see appendix 3) was used by the researcher to prepare for the interview and should mainly cover areas related to social responsibility practices in the innovative field of SMEs in order to verify the findings from the literature, stating that SMEs are less incentivized to practice social responsibility than large companies due to various barriers inherent in their nature (Ciliberti et al., 2008; Perez-Sanchez et al., 2003). For this purpose, a questionnaire with six questions with one or more answer options was developed. It was created with the online survey tool Google Forms and sent to the respondents by e-mail a few days before the scheduled interview. As part of the data analysis, the survey responses were analyzed along with the matching interview to provide a comprehensive overview of the data collected.

Semi-Structured In-Depth Interviews

Because qualitative research allows the researcher to gather information and conduct an in-depth investigation of research topics that are difficult to quantify, its format is inherently flexible, less structured, and does not rely on a large number of respondents (Aspers & Corte, 2019; Holloway, 2005). Therefore, the second step of data collection involved semi-structured one-on-one interviews to examine a research problem by the *why* rather than by quantitative questions as *how many* (Miles & Gilbert, 2005). Semi-structured interviews can be used to gather information about people's (current or past) behavior, beliefs, and opinions, as well as to obtain background information and/or use a person's expert knowledge (Harrell & Bradley, 2009).

The semi-structured interview method allows for interaction between interviewer and participant (Galletta, 2013) and can enable the interviewer to ask follow-up questions based on the responses (Rubin & Rubin, 2012), with leaving room for participants to make individual verbal expressions (Turner, 2010). While focus groups and in-depth interviews are among the most commonly used methods in qualitative research (Milena et al., 2008), semi-structured interviews are particularly suitable for exploring people's perceptions and opinions regarding complex and emotionally sensitive topics that are only reluctantly discussed in groups (Åstedt-Kurki & Heikkinen, 1994; Barriball & While, 1994; Milena et al., 2008). Therefore, the researcher intends to use semi-structured interviews to investigate SMEs' orientations and motivations towards social responsibility, social innovation, and stakeholder management.

3.4   Interview Design

Two essential components of designing an interview are (a) how the interviewer introduces him/herself to the person being interviewed and (b) what questions to ask. Therefore, the researcher intends to provide the interviewees with (1) information regarding anonymization and further use of the data, as well as obtain consent to use the data (Rabionet, 2011). In addition, the interview guide considers (2) the development of main questions and follow-up questions (ibid, 2011) to make the questions and topics more understandable for the participant (Turner, 2010) and to steer the conversation towards the overarching study topic (Baumbusch, 2010).

To conduct the interviews, an interview guide (see appendix 1) created by the researcher was used with a list of main questions about the core topics to be covered that avoided leading questions to not guide the participants' responses in an intended direction of the researcher (Miles & Gilbert, 2005). In addition, sub-questions were prepared depending on the possible answers of the participants to gain accurate information and a holistic understanding of the circumstances (Barriball & While, 1994; Baumbusch, 2010). To ensure that questions could be easily understood and interpreted by participants, they were worded as single-faced as possible, meaning they were not composed of two or more questions (Cridland et al., 2015). Moreover, the questions were designed open-ended to give the participants the freedom to respond in their own way, allowing them to explain their view on a topic or concept (Bell et al., 2019; Krauss et al., 2009; Turner, 2010). Moreover, in order to not disrupt the conversation flow, the questions were not always asked in the same order (Wilkinson & Birmingham, 2003).

Before the interviews were conducted, general information about the company and the director owner was gathered (see table 1). For this purpose, the interviewees were contacted by e-mail one day before the interview with questions regarding the information to be collected such as founding year, number of employees, and main products (see appendix VI). In addition, the SME's website was analyzed to supplement the information and to increase the validity of the study (Rose & Johnson, 2020; Thyer, 2010). After the interview started with an introduction into the topic and purpose of the research, the recording started with the participants' consent.

The interview is divided into five different sections, aimed at identifying the company's values and understanding how they relate to the different subject areas of social responsibility, social innovation, and stakeholders. The first part aimed at gathering information about the interviewee's function and role in the company. The second part examined what drives the company in general and what values define the company. The third part aimed to find out how social responsibility is implemented in the company. The fourth part focused on how the company

innovates to gather information about social innovation. The last part aims at finding out which stakeholders are most relevant for committing to social responsibility and why.

The one-on-one semi-structured interviews were conducted with an owner, managing director, Chief Executive Officer (CEO), or senior department manager of the respective SME, as they are responsible for decision-making in the companies (Zastempowski & Cyfert, 2021). A pilot study with company A was conducted to test the quality of the interview protocol prior to the case interviews and to make well-founded changes and adjustments to the interview questions if necessary and thus improve the quality of the intended data collection (Barriball & While, 1994; Chenail, 2011a). The interview was tested using the same inclusion criteria and interview guide as in the main study. The feedback received was used to improve the quality of the interview guide and to adjust the interview questions if necessary, as well as to control for possible researcher bias (Chenail, 2011b). Since no significant changes were made to the interview guide after the pilot study, company A is fully included in the study (Yin, 2016).

Confirmability

To confirm the findings, validation of the transcribed data by respondents was undertaken (Creswell & Maietta, 2002). To ensure validation by respondents, the participants were asked during the interview if the researcher could contact them after the interviews were transcribed. This was done for two reasons. First, allowing the participants to view the data allowed for confidentiality to be ensured regarding the accuracy of the information provided (Creswell, 2012). Second, participants could directly contribute to clarify the content if there was ambiguity or confirm whether they found their views reflected in the reported outcomes (ibid, 2012).

Since the study examines topics in which the company is asked directly about its social responsibility activities, this could cause some discomfort among the interviewees, as they are disclosing sensitive information about themselves and their company. Therefore, the researcher firs asked participants for their consent as to whether the interview may be recorded. They were further assured that all information will be treated confidentially and anonymized to ensure that no conclusions can be drawn about the company in particular. In addition, the participants were offered to have the transcribed interview sent to them in order to make clarifications if needed to minimize potential misinterpretation of statements made by the researcher.

3.5   Data Analysis

After the interviews were conducted and all data were collected, transcribed, and cross-checked by the participants, the data were then analyzed. Based on the methodological approach of

Colovic et al. (2019), the data were analyzed in two steps: first, the researcher analyzed the content of each case separately (Creswell & Miller, 2000; Schreier, 2012; Yin, 2009) to examine concepts and themes as well as identify patterns of behavior in the responses (within-case analysis). Second, the findings of all ten cases were analytically compared with each other to identify similarities and differences between the companies in order to obtain a holistic picture of the research findings (cross-case analysis) (Silverman, 2013; Yin, 2009).[6]

To perform the data analysis, the MAXQDA software is used. The data analysis is carried out within the framework of a qualitative content analysis, "a method for systematically describing the meaning of qualitative material" (Schreier, 2012, p. 1). The objective of this procedure is to identify content-related aspects of the material in order to systematically describe and structure the material with regard to such aspects (Schreier, 2014). In relation to the present study, this involves organizing the statements made by the participants on the questioned topics into a system of categories, with the topics themselves forming the categories (ibid, 2014).

For the formation of categories, a concept-driven strategy is used to develop categories based on existing theory, previous research, logic, everyday knowledge, or an interview guide (Schreier, 2012). Thus, to categorize the information, a category system was deducted from the literature-based interview and survey questions. The category system contains the main interview and survey questions with the corresponding categories and associated source references (see appendix 7). The interview questions cover five different sections (information about interviewee's function, company values, social responsibility, social innovation, stakeholders) to answer the research questions. Within these sections, nine categories are formed based on the main interview questions. Since categorization can be used as a basis to compare cases (Schreier, 2012), the categories provide the framework for analyzing the findings.

After the categorization, the data is summarized into groups of information, also known as themes or codes that represent matching phrases or expressions frequently used by the research participants and identified by the researcher (Creswell, 2007; Kvale, 2007). Coding is simply defined as the process of narrowing qualitative data into themes (Harrell & Bradley, 2009). For the formation of codes, a data-driven strategy is used to develop codes from the obtained data (Schreier, 2012). Thus, the codes result inductively from the exploration of the statements made in the interviews about the identified categories and are self-selected terms that map the context

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[6] Within this thesis only the cross-case analysis will be presented in written form, because the within-case analysis is used only to identify codes that will serve as the basis for the researcher to conduct the cross-case analysis.

of the category. The codes serve to reflect the core statements of the companies on the categories in terms of content and to find similarities and differences between the individual cases.

In this context, the deductively developed categories form the framework for the analysis in chapter 4. The codes developed inductively within the categories are used to explore the meanings behind the categories in detail and find similarities or differences between the cases. According to Schreier (2012), the categories are supported by descriptions derived by the researcher herself to explain the meaning of the categories (see appendix 7).

Figure 3 provides a step-by-step overview of the study's methodology process.
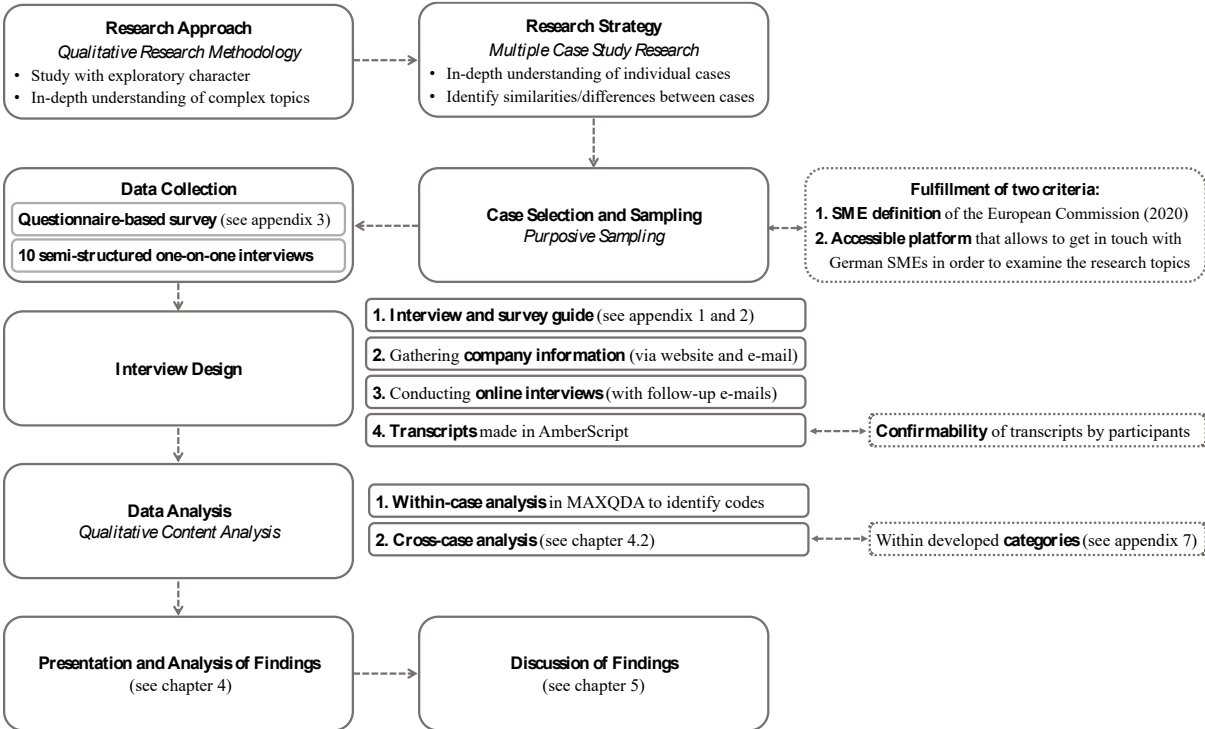
Figure 3: Methodology process (own illustration)

4   Cross-Case Data Analysis of Findings

This chapter reflects the insights that emerged from coding the interview data, which allows for a subsequent cross-case analysis. First, the individual cases were analyzed regarding the research topics of social responsibility, social innovation, and stakeholders. The codes identified in this process were then assigned to the nine categories to allow for a detailed examination of each category in the cross-case analysis. The inductively developed codes help to analyze the companies comparatively and provide an answer to the research questions. An overall summary of the key findings can be found in appendix 8.

4.1 Overview of the Cases

Table 1 provides an overview of the ten cases studied, showing related key data such as industry, business focus, number of employees and revenue generated in the last year. The studied cases differ not only in terms of the industry in which the operate, but also regarding their financial endowment, the number of employees and the duration of their existence. For example, 60 percent of the companies are IT companies (A, C, D, E, F, H), 20 percent work in food retailing with a similar specialization in sausages (I, J), while of the remaining 20 percent, one company works in the energy sector (B) and one in real estate (G). Therefore, the variety of products/services ranges from IT development/consulting, digital software solutions, renewable energy, and large real estate, to manufacturing meat products and supplying food retailers.

Company I has been in the family business since 1934 and, with 180 employees, is both the company with the most experience and the largest workforce. In contrast, company F has only four employees and has entered the business in 2019, making it the youngest and smallest company. Of the companies that participated in this study, company J had the highest turnover in 2021 with EUR 180 million, while company D had the lowest revenue with EUR 1 million. However, this could be explained by the fact that company D has only 15 employees and has been on the market for only four years (since 2018), while company J has 160 employees and more market experience with 34 years of company existence.

The age of the SME representatives interviewed ranges from 41 to 68 years, with the average age of the at about 51 years. In most cases the interviewees were the general managers and owners, all of whom were also male, with the exception of companies H and I, in which the interviewed representatives were both female senior HR business partners of the respective companies. In addition, the interviewee from company J was the only one of the males who was neither the founder, owner, nor general manager of the company.

Depending on their position in the company, the responsibilities of the SME representatives interviewed also varied. For example, the responsibilities of the managing directors tend to relate to long-term management such as requirements management (D), evaluation of the financial situation (C), strategic business development (A, E), monitoring of trend and company development within the scope of projects (B, E, G), as well as customer acquisition and network maintenance (F). In contrast, the tasks of the senior HR business partners include personnel and organizational development, in which recruitment and personnel controlling are of primary importance. The manager of the goods interviewed in company J is in turn responsible for more operational tasks such as procurement, marketing, and quality assurance of products.

Table 1: Company Profile

	Company A	Company B	Company C	Company D	Company E	Company F	Company G	Company H	Company I	Company J
Sector type	IT	Energy	IT	IT	IT	IT	Real Estate	IT	Food trade	Food trade
Business type	IT development and consulting	Renewable energies	Broadcast Air traffic control Large-scale industry	IT development and consulting Efficiency through IT	IT development and consulting 3D technology	IT development IoT solutions	Real estate and site development Impact investing	IT development and consulting High-end solutions	Sausage and niche products Supplier of food trade	Sausage products Supplier of grocery stores
Main products/outcomes	IoT consulting and products	Wind and solar power applications	Hardware products Maritime products	Process digitization Individual solutions	3D planning software	Gateway operation of IoT use cases	Large-scale property projects	Company-specific software services	Customized sausage products	Sausage specialties Meat alternatives
Founding year (#employees)	2016 (12)	2000 (55)	1985 (120)	2018 (15)	1994 (100)	2019 (4)	2019 (15)	2002 (40)	1934 (180)	1988 (160)
Revenue (in EUR) generated in 2021	~ 3,5 Mio.	Not disclosed	~ 35 Mio.	~ 1 Mio.	~ 12 Mio.	~ 2 Mio.	Not realized yet	Not disclosed	Not disclosed	~ 180 Mio.
Interviewee: Gender (age)	Male (44)	Male (56)	Male (54)	Male (46)	Male (68)	Male (41)	Male (54)	Female (47)	Female (56)	Male (43)
Interviewee: Current position	CEO and founder	Managing director/ founder	Managing director	Managing director	Managing director/ owner	Managing director/ founder	Managing director/ founder	Senior HR Business Partner	Senior HR Business Partner	Managing director of the goods

4.2 Social Responsibility Across the Cases

In the following, the cross-case analysis is carried out within the nine categories by using the codes (highlighted in italics in the text). The information presented in the analysis serves to provide a comprehensive overview of the individual motivations that drive the companies to engage in socially responsible practices and innovative activities. In addition, interview statements were added to provide contextual understanding (marked with quotation marks).

Company Values/Principles

This category examines what values and principles drive companies and how these are incorporated into business activities to develop an understanding of the underlying business goals and approaches used by companies to achieve these goals. The following table 2 lists the values and principles cited by the SMEs that guide them both in the business and in the social context.

Table 2: Company Values/Principles

Company	A	B	C	D	E	F	G	H	I	J
Values/ Principles										
Honesty/ credibility	✓			✓		✓		✓		✓
Trust	✓			✓	✓					
Flexibility/agility		✓		✓	✓	✓		✓	✓	
Relationship building with	✓ Staff, clients, suppliers	✓ Staff, clients, community				✓ Partners	✓ Community			✓ Suppliers
Employee wellbeing			✓	✓	✓				✓	
Sustainability							✓ Public welfare	✓ Mindset/attitude	✓ Quality assurance	✓ Supplier monitoring
Sustainable work environment	✓	✓		✓	✓				✓	
Customer satisfaction			✓	✓	✓					
Business growth	✓				✓			✓	✓	✓
Making profits			✓	✓			✓			

From the responses of the participants, it is apparent that *flexibility/agility* is the most important value driving SMEs, whereas *trust* in employees and their competencies, *customer satisfaction*, and *making profits* are comparatively less relevant values identified from the data. *Flexibility* and *agility* are generally cited by companies B, D, E, F, H, I as driving factors for companies to be versatile outside of their business focus, to be adaptable to changing market circumstances and stakeholder interests such as crises and emerging trends.

While *honesty* is one of the second most significant values and is prominent for 50 percent of the companies, it is used in different ways. For example, for companies A and D, *honesty* has an internal transparency function to leave little room for conflicts within the team and to create cooperation as well as a productive working atmosphere. While companies F and J consider *honesty* to be a means of *credibility* in terms of long-term customer loyalty and market positioning, company H sees honesty as a way to create an open communication culture as part of the recruiting process.

Another important factor identified from the data is *relationship building* with stakeholders. The purpose of *building relationships* is to facilitate cooperation and collaboration between the companies and their key stakeholders. This includes, for example, maintaining relationships with employees, customers, and the community in order to retain customers and create a supportive environment for employees and the community (A, B) or, even more, to integrate the community into the company in a participatory manner (B, G). Cooperative relationships with partners are either used to quickly adapt to market requirements (F), or to ensure the operation of suppliers for the benefit of the company (J).

Furthermore, maintaining long-term relationships with employees and creating a flexible company character are also very important principles for the companies, as they are related to providing employees with a *sustainable working environment* in which they enjoy working. Companies that gave top priority to creating a suitable work environment (A, B, D, E, I) see employees as an important asset for the company, not only increasing the company's productivity but also ensuring that the company remains innovative and adaptable.

Business growth is critical to the companies, but for a sustainable reason. This is because it is considered by companies A, E, H, I and J to be important for survival in the competitive market, not primarily for the purpose of profitability, but in order to continue the business and related activities for as long as possible. In this context, the goal of making a profit is seen as secondary by the majority of companies interviewed.

Making profits is only regarded as important to generate free cash flow and to secure the liquidity of the business in the short term. Exclusively companies C, D, and G have recorded the profitability of the company as an integral part of the values. In this regard, *making profits* is mostly related to the satisfaction of investors and the profitability of the company, whereby the top priority is to maintain appropriate behaviors towards employees and other stakeholders.

The values and principles of SMEs are two-faced: from an economic point of view, companies strive to build close relationships with stakeholders who are able to influence the company's existence in the market as well as its financial situation. From a social perspective, they emphasize responsible behavior towards stakeholders, especially towards employees and society. In addition, the integration of values into corporate activities depends on the nature of business, although similarities can be found in the type of integration. For example, companies G, H, I, J try to act responsibly towards the environment and society through having an active sustainable mindset. In addition, keeping up with trends is also of great importance for the majority in terms of the economic prospects, whereas adherence to behavioral rules is considered essential by all companies in order to ensure respectful treatment within the company, i.e. towards employees.

Perception of Social Responsibility

This category aims to find out how important the topic of social responsibility is for the SMEs interviewed, what they associate with the concept of social responsibility, and what their attitudes towards social responsibility are in general. Table 3 below categorizes the perceptions of the concept of social responsibility mentioned by the SMEs according to overarching themes.

Table 3: Perception of Social Responsibility

Company	A	B	C	D	E	F	G	H	I	J
Perception										
Importance (1-5)	Very high (5)	Very high (5)	Very high (5)	Very high (5)	Fairly high (4)	Moderate (3)	Fairly high (4)	Fairly high (4)	Very high (5)	Fairly high (4)
Strengthen the region	✓		✓		✓	✓				
Employee welfare	✓		✓	✓	✓	✓		✓	✓	✓
Social wellbeing		✓	✓		✓		✓	✓		
Environmental protection			✓	✓			✓			✓
Addressing all stakeholders					✓					✓

Although almost all companies considered social responsibility to be of high importance to the company, the SMEs interviewed had different understandings of the term social responsibility. The majority also highlighted the complexity of the concept and considered it to be broad, implying that social responsibility is viewed as a multi-dimensional concept in the SME sector. In addition, a distinction is often also made between a company's responsibility to stakeholders with a direct influence on the company (e.g. employees) and to society/the environment, implying that SMEs try to make an effort both internally and externally in order to act responsibly toward the various stakeholders.

Employee welfare is the most popular definition of social responsibility, followed by ensuring *social well-being*. Contributing to *environmental protection* and to *strengthen the region* were the third most cited understandings of the term, with *addressing all stakeholders* being the least used perception of the term social responsibility. The first two understandings focus on the human factor, while *environmental protection* and *strengthen the region* reflect an environmental dimension to the understanding. Although financial assurance of the company was also often considered important, social responsibility was never understood as a sole financial or legally mandated responsibility of the company. Rather, social responsibility was understood as the financial security of employees, especially by the companies D, F, and J.

All SMEs expressed the opinion of having a certain social obligation. Company G is not only committed to social responsibility but was founded with the purpose of operating in an environmentally friendly and public welfare oriented manner, whereby social responsibility serves as the fundamental building block for the creation of the SME. This proves that the SMEs not only recognize the economic and legal functions of the company, but also the social aspects with which they have an impact on society and the environment. However, in this context, social responsibility was usually seen separately from environmental aspects, which is why the term has not always been associated with good environmental deeds.

The understanding of social responsibility in the SME sector ranges from supporting the region through, for example, job creation and donations (A, E, F), as well as the possibility of participation and involvement of the local community, to contributing to environmental protection through green investments (C), and employee satisfaction. This is considered a positive cycle for cooperation within the company and economic success (D, F). Furthermore, all SMEs consider social responsibility as "doing something good", although some SMEs (E, F, I, J) stated that businesses need to remain profitable in order to meet their social obligations. This would imply that these SMEs perceive socially responsible activities as a cost.

Only companies E and J considered social responsibility as *addressing all stakeholders* and their needs. This includes, for example, employees, customers, and suppliers, but also the immediate environment and the community. Lastly, social responsibility also relates to society as a whole, whereby it also was expressed that rather the "daily small problems" can be solved by SMEs than the "big problems" (E). With regard to this, it was noticeable that only companies D and J perceived social responsibility as a broad concept, which is why the company-related notion of social responsibility was considered as easier than the concept itself. This implies that SMEs can envision the concept of social responsibility and are aware of the potential impact on stakeholders. However, SMEs prefer to engage in social responsibility at the local level to have a positive impact that is directly visible to the companies.

Participation in Social Responsibility

This category aims to find out how SMEs engage in socially responsible activities, where this engagement is brought into focus, and how decisions are made within the company about the implementation of socially responsible activities. Table 4 represents the different fields of action in which the socially responsible activities are carried out by the SMEs.

Table 4: Participation in Social Responsibility

Company	A	B	C	D	E	F	G	H	I	J
Participation										
Education					✓			✓		
Community support/involvement	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Employee wellbeing		✓	✓	✓	✓	✓		✓	✓	✓
Environmental action			✓	✓		✓	✓			✓
Collaboration with	✓ Innovative partners	✓ Cooperatives						✓ Partner network		
Decision-making authority	Management	Management	Management	Management	Management	Management	Management	Management	Management	Management

Table 4 shows that the *decision-making authority* for corporate decisions as well as choices regarding socially responsible activities lies with the management in all SMEs. The most commonly cited reason for this is that the managing directors often have the expertise to consider various aspects holistically. However, this does not preclude the involvement of others, as joint

dialogue is highly valued in SMEs. In particular, suggestions from employees are considered central and taken into account by SMEs, especially when it comes to making decisions on a social level. Nevertheless, decisions in SMEs are mostly made by the owner-managers themselves, with employees having a limited influence on social responsibility decisions in SMEs.

Most SMEs consider social responsibility as voluntary that is not practiced to receive something in return. Rather, social responsibility is practiced in order to give something back, which is why its implementation is primarily in the area of *community support/involvement*. On the one hand, activities include support for local associations or social initiatives. For example, the companies C and F participate in fundraising for social initiatives, while companies H and J engage in donations and sponsorships. In addition, companies E and H provide company-related assistance through training such as job opportunities and trainee programs, while company J provides financial support and company I offers charitable support. On the other hand, activities in this area also include support for the local community (A, B), for example by working with cooperatives (B), engaging in charitable activities for the neighborhood (E), or involving the neighborhood in company projects (G). The engagement in the field of *education* could also be assigned to *community support*. For example, company E is dedicated to help craft schools to make their training attractive by providing free licenses for an e-learning platform.

Employee well-being is the second prioritized area of action and includes activities focused on the well-being of employees, which also varied in nature and extent depending on the characteristics of the business (e.g. established family business vs. start-up). The majority of companies are focused on maintaining a good team spirit, which is why most SMEs design leisure activities outside of work (e.g. summer parties, barbecues, team events), and additionally offer tangible employee benefits such as fitness rooms or childcare. Others, such as companies F and I, also offer emotional support such as free psychotherapy treatment.

The third most identified field of action is *environmental action*, e.g. by integrating environmental practices such as waste separation (C) or battery-powered company vehicles (D). Another form of taking environmental action is the strategic inclusion of environmental valuation methods, e.g. incorporating a resource-based life cycle perspective in corporate decisions (G) or working on a compensation model for company-related CO_2 released into the atmosphere (J). In general, all companies share the view that environmental stewardship plays an important role. However, companies C, D, F, G, and J claim to be actively addressing sustainability issues.

Collaboration with stakeholders who promote social action is also perceived as an incentive for SMEs to become socially engaged. For example, company A notes that collaboration with

customers was productive in developing a green portfolio, while company H uses collaboration with its existing partner network to support business innovation in the region. Company B, on the other hand, promotes collaboration that involves the local population in projects and creates acceptance for the business.

Overall, it can be deduced that participation in social responsibility is particularly focused on the human factor, and although all SMEs actively participate in socially responsible activities, the type, area and extent of participation varies. For only a few SMEs it was important to engage with network stakeholders such as customers and partners (A, B, H), which can be explained by the fact that SME engagement in social responsibility focuses more on initiatives to engage stakeholders for whom the SMEs felt most responsible (e.g. employees, community). The well-being of employees is mostly ensured in the form of active undertakings for employees and social benefits. Support for the local community has been identified as the most important area of action and mainly takes the form of charity support, sponsorship, and fundraising.

Drivers of Social Responsibility

The purpose of this category is to identify behavioral patterns related to social responsibility as well as the motivating factors for social responsibility engagement by asking what benefits SMEs see in this engagement. Table 5 below shows the key drivers identified from the responses that motivate SMEs to engage in social responsibility.

Table 5: Drivers of Social Responsibility

Company	A	B	C	D	E	F	G	H	I	J
Drivers										
Intrinsic motivation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Improving the corporate profile through	✓ Customer satisfaction						✓ Company goodwill			✓ Reputation
Employee satisfaction	✓	✓	✓	✓	✓			✓		
Sustainable development				✓			✓			

Table 5 shows that the motivation of SMEs to participate in social responsibility is mainly the *intrinsic motivation* to "do the right thing" (C, D, E, G) by "giving something back to society" (F). The "good feeling" (E, I, J) was also mentioned several times, which results from the good deeds and implies that SME owner-managers engage in social responsibility also for their

personal need to reconcile the business activity and its entailing impacts with themselves. Contributing to *sustainable development* was the least mentioned driver, with only companies D and G being committed to make their economic activity more sustainable in order to justify their actions to the most affected stakeholders such as employees, society, and the environment.

Moreover, only companies A, G and J pursue the overall goal of *improving the corporate profile*. For example, in addition to intrinsic motivation, company A undertakes socially responsible activities to generate benefits for customers and thus meet their needs, e.g. by helping customers to technically implement CO_2 storage with the aid of sensor technology. Company J on the other hand, engages in social responsibility to also be seen as a responsible member of the community and maintain a good image. In contrast to this, company G has set a reputation for itself as a good corporate citizen and therefore strives to maintain goodwill, but not for the sake of image, but because of its self-imposed obligation to act in a socially responsible manner. Although it was found that all SMEs have a non-profit attitude towards social issues, commitment to social responsibility is seen either as foregoing profitable business or as incurring costs.

It also became clear that none of the participants undertook socially responsible activities to meet the expectations of stakeholders of financial relevance. Accordingly, the common underlying motivation of all participating SMEs was to maintain relationships with community members and employees to ensure their continued satisfaction, which in turn increases their owner-manager's personal satisfaction of having done something good. In this context, a future shortage of skilled workers is also addressed (D, E), whereby "social responsibility for employees" (D) goes hand in hand with ensuring *employee satisfaction* and retaining qualified employees.

The findings suggests that SMEs act mainly in a socially responsible manner due to the intrinsic motivation of their owner-managers to contribute to society in return for their economic activity. In this respect, employee and community support are more important than economic goals, such as a social image, which could improve the company's profile. This also supports the finding that SMEs are not always profit-driven, as social responsibility is not exploited for financial gains, even though they believe there is a monetary cost to being socially responsible.

Measurable Commitment to Social Responsibility

This category examines how SMEs measure their social engagement by looking at whether or how they report on social responsibility activities, whether they have a corresponding strategy and/or metrics to measure performance and improvements of commitment (see table 6). In addition, the questions were formulated to compare planning efforts for socially responsible activities and respondents' statements about actual implementation of social responsibility.

Table 6: Measurable Commitment to Social Responsibility

Company	A	B	C	D	E	F	G	H	I	J
Measurable commitment										
Reporting	✗	(✓) Infor-mal	✓	✗	(✓) Infor-mal	✗	✓	(✓) Infor-mal	(✓) Infor-mal	(✓) Infor-mal
Formal strategy	✗	✗	✗	✗	✗	✗	✓	✓	✗	✗
Metrics	✗	✗	(✓)	✗	✗	(✓)	✓	✗	✗	✗
Future plans	Job creation	Social/ energy cooper-atives	Envi-ron-mental protec-tion	Opti-mize sustain-able pro-cesses	Digital educa-tion Job creation	Envi-ron-mental protec-tion	Urban plan-ning support	Social posi-tioning	Em-ployee training Social perfor-mance metrics	Em-ployee benefits Envi-ron-mental protec-tion

Table 6 shows that the majority of SMEs conduct *reporting* on social responsibility on a small scale and on an informal basis by communicating through social media, press releases, articles or on the corporate website, with reporting kept rather local. The most commonly cited reason for SMEs not pursuing formal reporting, or any reporting at all, was that such reporting activities were considered marketing and merely press work to promote a positive reputation. In this context, such media presence is not seen as social, but rather as a way of promoting the brand image and saying little about the actual intrinsically intended social commitment.

The only SMEs that have formal reporting are companies C and G. However, company C only produces a sustainability report for its private equity firm due to its interest in social and environmental issues. Company G, on the other hand, has a sustainability department to prepare a report for project monitoring and investor satisfaction. While the most cited added value of informal reporting was good branding, employee recruitment and customer acquisition, the added value of formal reporting is stakeholder satisfaction with financial significance. Thus, in contrast to the actual implementation of socially responsible activities, reporting is mostly targeted at stakeholders with a direct impact on the company, such as new employees and clients.

Table 6 further indicates that the majority of SMEs did not have a strategic approach to participate in social engagement because having a *formal strategy* for social responsibility was perceived as contrary to the nature of the company. Following this insight, social participation planning was found to take place largely on an ad hoc basis. One reason for this is that the staff and budget for such expenditures usually depend on the company's financial situation and the

time available. The second reason given was that social actions are carried out according to emerging need for support, so their planning is perceived as unnatural. The only SMEs that have a formal approach to implement social responsibility were companies G and H. Company G, for example, pursues compliance with self-commitment and sustainability criteria that are continuously embedded into construction projects. Company H intends to integrate a social agenda into its strategy roadmap in order to incorporate social aspects into its business planning.

The presence of *metrics* to measure performance and improvements of commitment to social responsibility over time could not be found in almost any SME. The main reason for this is that SMEs believe that metrics serve primarily to satisfy stakeholders of financial relevance such as shareholders, which is why they are more related to the management of the company than to social concerns. The metrics mentioned were mostly related to material, turnover, sales, as well as HR issues, although respondents also tried to indicate the metric closest to social aspects. The list ranged from employee training as a social indicator (C), to the termination of customer contracts (E), and the measurement of employee tenure (F). It can be deduced from this that these metrics are mainly collected to obtain an overview of customer or employee satisfaction.

The only companies with metrics to quantify social responsible figures were companies G and J, with company J still in the implementation phase for measuring environmental aspects rather than actual implementation. In contrast to this, company G has developed a key figure model to measure the fulfillment of social, environmental, and governance criteria in its projects. In conclusion, the measurability of social responsibility is the highest priority for company G, which is also reflected in the actual implementation. For example, the company actively incorporates the defined criteria from the indicator model into the selection and implementation of construction projects in order to build in a welfare-oriented and sustainable manner.

Because most SMEs do not have a reporting system and/or an established strategy and/or metrics to reflect actual commitment to social responsibility, the measurability of this commitment to the outside world appears low. However, in most cases, this can be outweighed by the commitment to social responsibility (either actually expressed or planned for the future). The interviews revealed that SMEs have ongoing projects or *future plans* for social engagement that are also consistent with SME values and perceptions of social responsibility. This includes, for example, job creation, which is consistent with the social goal of strengthening the region (A, E) or the creation of new cooperatives to include all community residents in the projects (B).

Innovation Culture

This category is used to gain insights into the development of ideas and the extent to which innovation is subject to a process defined by the SMEs or whether it is more freely structured. The themes presented in table 7 distinguish the SMEs' innovation cultures and derive from the comparison of all interviews. Thus, table 7 shows the requirements SMEs have for innovation readiness and penetration, the purpose of developing innovations, where the ideas come from, and whether the innovation process is based on an established or a more open structure.

Table 7: Innovation Culture

Company	A	B	C	D	E	F	G	H	I	J
Innovation Culture										
Requirement	Cost-covering Courage to fail	Distinctiveness Novelty	Customer focus	Time Customer focus Courage to fail	Customer focus Open to new	Customer focus Market focus	Project criteria match user behavior	Customer focus Market focus Openness	Customer focus Market focus Employee inclusion	Open to new Spirit of adventure Courage to fail
Purpose	Customer benefit	Customer benefit Inclusion Sustainability	Occupational health Profits	Customer benefit	Customer retention	Customer benefit	Customer benefit Sustainability	Customer benefit	Specific market service	Customer benefit Profits Sustainability
Innovation source	Staff	Staff	Selected focus groups Customers	Staff Management	Staff Customers	Staff Customers Market	Inbound offers	Staff Customers Market	Innovation team Agency Staff	Staff Customers Competitors Partners
Innovation process	Informal, open	Informal, open	Formal, fixed	Informal, open	Formal, open	Formal, fixed	Formal, fixed	Formal, open	Formal, open	Informal, open

Companies A, B, D and J are characterized by an informal and open innovation process, with a focus on mutual exchange and employees as the main source of innovation. These SMEs also share the common purpose that innovation should serve customers and generate benefits for them. In this regard, the companies do not view failure as a shortcoming (A, D, J) and also have goals that go beyond customer focus, such as involving the community into projects and promoting sustainability by integrating renewables into the landscape (B). The preconditions are

not only of economic nature, such as the cost or time aspect (A, D), but correspond to an open mindset which is reflected in the innovation culture, whereby innovations also have to make sense for the SMEs and therefore tend to be demand-driven rather than planned.

SMEs with a defined and formal innovation culture (C, F, G) follow an established innovation process, for which time intervals are often set in order to define deadlines and evaluate innovation projects. Within the innovation process, new ideas are primarily generated by customers, market demand or specific stakeholders such as a coordination committee (C) or inbound offers (G). Primary purposes that innovations should fulfill are to serve customers, also with the background of making profit in order to make the innovation also viable for the benefit of the company. In contrast to the companies C and F, however, company G does not only listen to the customers, but primarily aims to ensure that the criteria established for building a socially responsible project are also in line with user behavior.

In addition, SMEs also exhibit a hybrid innovation structure characterized by an open and development-oriented culture within a formally established framework (E, H, I) that is both top-down and bottom-up. Their innovation process follows the concepts of "openness" (H) or "being open to new things" (E, J) and "learning by doing" (E). New ideas generally come from employees in different areas of the company (bottom-up) and are collected over the course of the year, discussed in established processes such as an innovation workshop (E), and finally taken up with management approval (top-down). The prerequisites of these SMEs to successfully push through innovations are to listen to customer and market demand in order to innovate according to customer wishes, as well as to be able to respond quickly to market trends.

In summary, the *innovation culture* is company-specific and depends on the nature of SMEs, the product portfolio they offer, and the markets they serve. Moreover, it can be concluded that innovations are not primarily aimed at making profits, but are introduced mainly because SMEs develop in a demand-driven way by listening to customers and the market, as long as they also see a purpose in developing innovations. Ultimately, innovation is often driven by employees and is in turn an important driver of new developments and business performance in all SMEs.

Reasons for (not) Developing Social Innovation

The purpose of this category is to find out what priorities SMEs set when developing social innovations. It also investigates the extent to which SMEs trigger improvements in society through the development of new products/services based on social commitment. Table 8 shows the identified reasons for developing innovations with societal added value based on the statements of the interviewees.

Table 8: Reasons for Developing Social Innovation

Company	A	B	C	D	E	F	G	H	I	J
Reasons for developing social innovation										
Source of revenue	✓ Added outcome				✓ Indirect outcome to remain viable					✓ Requirement to pay incurred costs
Sustainability	✓ Project generator	✓ Promoting renewable energy	✓ Responsible resource use	✓ Digitization	✓ Digitization	✓ Project generator	✓ Project generator	✓ Digitization	✓ Responsible production	✓ Responsible resource handling
Need to solve problems	✓		✓	✓	✓	✓		✓	✓	
Must make sense	✓			✓	✓				✓	
Customer focus supporting (+) or inhibiting (-) factor	+		+	-		+	+	-	+	-
Create social wellbeing		✓	✓			✓	✓			

Table 8 shows that the most cited reason to develop social innovations is *sustainability*. The operationalization is expressed in the fact that SMEs try to achieve societal benefits in product development by paying attention to energy and resource aspects, such as promoting the energy transition by fostering renewable energies (B) or pursuing responsible management in terms of sustainable resource use (C, J). Furthermore, sustainability is also seen in terms of digitization (D, E, H). Company E, for example, offers a sustainable solution in the form of digitalized support to show less qualified employees how to work on the construction site. Moreover, company H tries to improve internal operational processes by creating digitalized solutions or monitoring quality in production. Furthermore, sustainability is also seen as promoting projects (A, F, G) to foster innovative and socially responsible projects that address environmental concerns.

The second most identified reason is the *need to solve problems,* whether it is solving customer problems or whether the problems are of a social or ecological nature. Company C, for example, first assesses whether customer wishes can be implemented functionally and then considers what could also help society, while companies D and F have a specific intention to solve

problems present in society, such as creating awareness of a digital mindset (D), i.e., recognizing the need for digitized processes, or implementing digitization more strongly (F). In contrast, company E develops innovations according to market demand, with subsequent consideration of what significance this need fulfillment could also have for society.

In the development of innovations in general, customer centricity was often mentioned as a relevant factor to develop successful innovations. This *customer focus* is also mentioned by most companies as a supporting factor for the development of innovations with social added value (A, C, F, G, I). The intention to create innovations with a social purpose often arises from the need to solve customer problems. Thus, satisfying clients stimulates creativity to solve customer problems in a sustainable way that could potentially have added value for several customers and, moreover, for society or the environment. However, for the companies D, H, and J, meeting customer needs often hinders developing social innovations. The reason mentioned is that social innovations are not convincing enough to be purchased by their customers, even though they would benefit from them. As a result, companies D, H, and J see customer needs as inhibiting because they do not perceive the social added value as a customer benefit.

A few companies also mention the altruistic reason to *create social well-being*. For company B and G, for example, this entails that the community has a positive attitude towards the company and feels included in project decisions such as building projects of real estate (G). Company C, for example, pursues to ensure social well-being in the form of health and safety at work, while company F seeks to create public safety and transparency for society by using traffic data to optimize traffic flow.

Although the companies A, E, and J find social innovation to be a *source of revenue,* they do not consider these innovations profitable enough to ensure company's financial stability. Company A, for example, does not consider social innovation as a main source of revenue but as a potential source of profit in addition to its usual business activities. Company E perceives social innovation as an indirect source of revenue resulting from solving social problems in order to maintain the future viability of the company. Company J, in turn, sees revenue from social innovation as a prerequisite for participating in innovative activities with a social purpose.

Ultimately, the sustainability efforts of SMEs show that all SMEs recognize the negative impacts that their business entails, and in doing so, they seek to contribute to fostering social innovation. In this regard, a key to creating social and environmental value-added innovation may be problem solving. In doing so, the SMEs must stand behind the solution to the problem (be it social, ecological or customer-oriented in nature) and recognize it as meaningful.

This category seeks to investigate the impeding and enabling factors that influence the commitment to social responsibility. This also involves identifying the incentives or difficulties SMEs face in becoming more innovative in the area of social responsibility. Table 9 shows the barriers and promoters that SMEs cited as hindering or helping them to engage in social responsibility.

Table 9: Barriers and Promoters of Social Responsibility

Company	A	B	C	D	E	F	G	H	I	J
Barriers (−) and promoters (+)										
"Doing the right thing"	+	+	+	+	+	+	+	+	+	+
Social change			+		+		+	+		
Lack of openness				−			−			
Efficiency	+			+	+					
Customer satisfaction	+			−				−		
State support						+	−			+
Internal support	+	+/−		+				+/−	+/−	
Owner mindset	+/−		+/−	+/−		+	+			
Money	−	−	−	−		−		−	−	−
Lack of capacity	−		−	−			−			−
External pressure				−	−					+
Small company size	+	+/−		+	+			−		−

Table 9 shows that *money* is the most important factor limiting SMEs' participation in social responsibility. Thus, the key barrier to commit to social responsibility and develop social innovations is that the commitment must be financially achievable in order for the company to remain viable. This implies that SMEs perceive social responsibility as an additional cost to operating costs that cannot be offset easily. It further shows that SME managers are not aware of the strategic benefits of social responsibility, such as differentiation and competitive advantage. However, although *money* plays an important role, the financial incentive is not the only decisive factor. Social responsibility must be financially feasible, which in turn may be determined by other factors such as sufficient capacity (e.g. time) or customer satisfaction (e.g. acceptance).

Although *money* was mentioned as a barrier, *state support* is considered to be more dichotomous. Company J, for example, perceives government education as helpful in creating greater awareness of social responsibility. In addition, company F sees government incentives as encouraging companies to become more socially engaged and innovative in subsidized products and market segments that are socially responsible. Company G, on the other hand, perceives *state support* as inhibiting, since it should not be the state that decides what is social, but rather the motivation to make a difference for society must be desired by the entrepreneurs themselves. Government support such as subsidies, which could reduce the monetary barrier to some extent, is therefore not decisive in encouraging SMEs to become more engaged in social responsibility. In this regard, access to public grants and subsidies is identified in the survey as having little relevance for motivating SMEs to innovate in a socially responsible way (see appendix 9).

In this context, the second most cited barrier to social responsibility is *capacity* in terms of time, knowledge, expertise, and organizational effort. Company C, for example, perceives the time factor and a smaller workforce as hindering engagement in social issues, as the company needs the time primarily to promote the old products and launch the new ones. In addition, company G sees a lack of social responsibility knowledge and education in the corporation as a barrier to social engagement. Thus, strengthening the capacity of businesses to address this gap would mean that SMEs can be better educated and motivated to engage in social responsibility. In this regard, it is also important for SMEs to retain employees in the company or to recruit capable new employees because they regard their skills and competencies as a valuable asset. This is also consistent with the fact that 50 percent of the respondents identified the availability of required skills as a key factor for promoting innovation (see appendix 9). For example, company E supports the advancement of women by sponsoring a craft network of male carpenters.

The *small company size* is perceived by SMEs as a determinant factor for or against social commitment in two respects. On the one hand, there is a resource-related aspect: large companies have the advantage of greater resource stocks, such as financial and human resources, which is why a small company size is seen as a barrier in this respect. On the other hand, from a governance perspective, smaller companies such as SMEs have the advantage of not having to account to shareholders and other stakeholders for the profitability of activities because they are owner-managed. In this sense, a small company size is seen as a benefit to invest in social responsibility, because they do not have to prove a bonus-related advantage of social responsibility commitment to shareholders, as large companies have to do. However, this in turn implies that most SMEs see social responsibility as a monetary cost rather than a profitable business.

External pressure is mentioned as a barrier only by companies C and E. In company C, it is the external pressure to stay ahead of competitors' new developments and at the same time meet customer needs. In company E, the external pressure is having to justify the profit-making intention and everything that is not directly part of the business purpose (e.g. activities for society) to an auditor. Company J, in contrast, sees external pressure as promoter and intends to raise awareness among SMEs to align their business policies more closely with social responsibility.

In terms of promoters, the primary incentive to engage in social responsibility and the desire to solve social problems lies in the intrinsic motivation of *doing the right thing*. In this context, SMEs mentioned that this motivation often only works for owner-managed SMEs, suggesting that the intrinsic values of owners and managers primarily shape the SME and its commitment to social responsibility. This in turn can be related to the promoting factor of a small company size, as larger companies have more stakeholders with needs that may not be purely intrinsic. Depending on the values of the owners and their attitudes toward social engagement, owner values can be an inhibiting or supporting factor in either encouraging or disincentivizing SMEs to engage in social responsibility. In addition, SMEs C and D perceive owner-managed structures as an advantage because they can make decisions more quickly than large companies, which are also afflicted with more complex structures.

Internal support was perceived as either a promoter or a barrier to social engagement and innovation, depending on whether employees were encouraged by the company in the area of social responsibility. A company that creates an environment of mutual support has a greater chance of encouraging its employees to engage socially. For example, companies A, C, H, I identified in the survey internal support as one of the most important factors in promoting innovation within the company (see appendix 9). However, company C was the only SME that did not verbally mention internal support as a promoter. This could be due to the fact that the owners' values are perceived as a decisive factor for company C, with the owners in turn being responsible for the internal motivation of the employees.

Social change is only seen as beneficial by the SMEs C, E, G, and H. According to the interviewed SMEs, the demands of society will increase in the future such as the need for qualified workers, as it will become increasingly difficult in the future to find skilled workers for specific jobs. This must be managed by companies in order to attract employees and associated new competencies and thus become competitive. Social change therefore facilitates social responsibility for companies, as they have to adapt to changing social demand in order to continue doing business profitably in the markets.

Stakeholder Importance

As social responsibility decisions in SMEs are mostly made by the owner-managers themselves, they were asked to explain the impact of their stakeholders on their social responsibility actions and related innovation activities. Accordingly, this category investigates which stakeholders SMEs give priority to when implementing social responsibility activities. Table 10 shows the most important identified SME stakeholders that play a role in social responsibility decisions.

Table 10: Stakeholder Importance

Company	A	B	C	D	E	F	G	H	I	J
Stakeholder Importance										
Employees	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Customers	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Shareholders	✓		✓			✓		✓		
Investors			✓				✓			
Collaboration with	✓ Innovative partners	✓ Innovative and social-oriented partners				✓ Innovative partners	✓ Social, sustainable oriented clients and investors	✓ Educational partners		✓ Innovative partners
Natural environment	✓	✓	✓	✓		✓	✓			
Society/ community	✓	✓	✓	✓		✓	✓	✓		

From table 10, it can be concluded that *customers* and *employees* are the most important stakeholders for SMEs. *Customers* are among the most important stakeholders as they decide on the adoption of new products, services and technologies and thus ultimately on the profitability of the company. *Employees* are a top priority for SMEs, as they are seen as crucial to the development of valuable ideas in all SMEs, which is why efforts are made to ensure their well-being (e.g. fitness centers, insurance packages, additional medical benefits). This is also in line with the socially responsible activities selected in the interviews (see appendix 1, question 29), where SMEs mostly put *employees* first when offering financial support for training and other benefits.

Although the majority of SMEs reported that *customers* and *employees* are the most important stakeholders for innovation and the alignment of social topics with it, it was also stated that their influence on final social responsibility decisions is limited. This is because the authority to make socially responsible decisions ultimately rests with management, although issues in this area are also discussed in interactive exchanges with other departments in most SMEs.

Furthermore, for most SMEs, financially important stakeholders such as *shareholders* and *investors* have very little influence on social responsibility decisions, meaning that these stakeholders do not determine how social responsibility is practiced. Only companies C and G stated that *investors* and banks are very important when it comes to larger financial issues, e.g. huge investment volumes, but not when it comes to social responsibility (unless its translation into activities outweighs financial budgets). The influence of these stakeholders is therefore mainly focused on corporate decisions and governance topics, such as how SMEs communicate specific information according to their preferences (e.g. the type of employment contracts).

It further became clear that the *society/community* is crucial for participation in social responsibility and related decisions. Although their involvement is the focus of the majority of SMEs, donations to charitable causes, such as one-time donations to victims of a flood event, were mostly ranked lower in their priorities on the options provided in interview question 29 (see appendix 1). Even though SMEs make monetary donations to support society and the local community, donations to SMEs have little connection to the company's priorities since they are not tailored to the community directly affected by the company's activities. Thus, 70 percent of the SMEs state that community members may not have a direct influence on the company's productivity, but have a major impact on the extent to which social responsibility is practiced.

Collaboration is also of great importance for SMEs not only to strengthen their innovation potential but also to engage in sustainable projects which also benefit society and the environment. One the one hand, for companies A, B, F and J, it is important to collaborate with innovative partners to further embed the innovation in a business network and enter into cooperation with other companies for specific innovations. On the other hand, company H works together with vocational schools and universities to also pursue new innovative approaches. Collaboration with innovative partners was also often given the highest priority among the companies B, F, H, and J in the realm of opportunities provided in interview question 29 (see appendix 1).

Ultimately, suggestions from stakeholders with productive and/or emotional value (e.g. employees) have a significantly higher influence on social responsibility decisions than stakeholders with financial leverage. Moreover, *employees* and *customers* are considered the driving force of the company, which is why SMEs try to always keep their satisfaction high. While *customers* are the main source of revenue that ensures the growth of the company, *employees* are important in terms of innovation and productivity, as well as for a collegial environment. Losing customers would mean a drop in profitability, and losing employees whose primary concern is customer satisfaction would mean a significant loss of expertise and capable minds.

4.3　　　Summary of the Cases

From the literature review, interview questions emerged regarding the topics of company values, social responsibility, social innovation, and stakeholders. These topic areas were explored via a qualitative case study methodology to holistically examine the concept of social responsibility and related innovative activities in SMEs. In doing so, the interviews were first analyzed and coded individually in MAXQDA and then analytically compared across cases in chapter 4.2 using the codes identified by the researcher. The following summarizes the cross-case analysis research findings by relating the nine categories to each other, as also shown in figure 4.
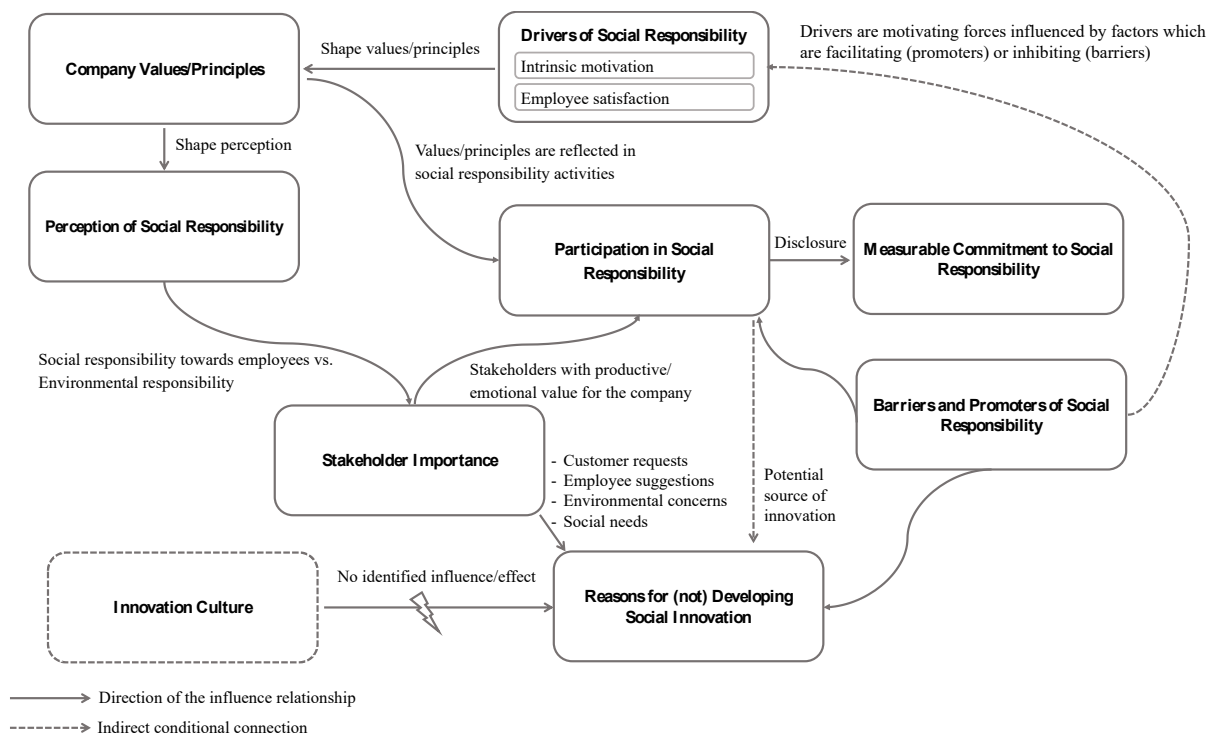
Figure 4: Connections between the nine categories (own illustration)

The findings of this study indicate that there are several barriers and drivers influencing SMEs' commitment to social responsibility and social innovation. For example, the availability of financial resources as well as capacities such as time and know-how to efficiently integrate social responsibility into business activities were identified as salient inhibiting factors. In addition, several driving factors emerged, whereby the most important driver appears to be the intrinsic motivation to "do something good". Alongside this, company values such as flexibility and building relationships with key stakeholders, as well as sustainability concerns also play an accompanying role in aligning business activities with social responsibility. In addition, the study shows that the personal attitude of SME managers toward social responsibility is shaped by their ethical values and moral beliefs and has a significant influence on how important social responsibility is for the company and on the extent to which it is implemented in the company.

The findings also revealed that SMEs see an advantage in not having to demonstrate any financial benefit of their commitment to social responsibility to shareholders, which in turn enables them to invest autonomously in social responsibility. In this context, SMEs had neither a strategic approach to their social engagement nor a formal reporting system, which is also the reason why SMEs report on socially responsible activities mainly at the local level. However, SMEs believe that they have weaker economic power compared to large companies. Because SMEs consider social responsibility to involve costs, they further believe that large companies can practice social responsibility on a larger scale and also integrate it into their business processes because they can afford the expenses associated with social responsibility.

In addition, the present study found that SME managers do not have a clear understanding of the concept of social responsibility, as social responsibility is mostly related to the human factor (e.g. employees and community members), but is not associated with environmental concerns, although sustainability was cited as an important driver for engagement in social innovation. In this context, no conclusions can be drawn from the type of innovation culture on the motivation of SMEs to engage in social innovation. For example, SMEs with a defined and formal innovation culture also see many reasons for developing social innovations, such as sustainability or social well-being. However, in this regard, it was found that the main reason for the development of social innovations is the sustainability aspect, whereby the social or environmental components incorporated in the outcomes are often not developed intentionally, but result from emerging demand due to collaborations, customer requests, or employee incentives.

Moreover, it was found that SMEs are not primarily profit-driven but are more concerned having close relationships with their key stakeholders, therefore building trust with influential stakeholders, ensuring their well-being, and behaving responsibly toward them are top priorities. Ultimately, the well-being of employees and society is seen as the reason for acting in a socially responsible manner, which in turn benefits company performance in terms of productivity. Thus, SMEs seek to maintain their commitment to social responsibility at the local level to see immediate results of the involvement in socially responsible activities. Therefore, the most important stakeholders for the SMEs interviewed are those that have a productive and/or emotional value for the companies, such as employees, customers and community members. These also have a much greater influence on decisions regarding social responsibility activities than stakeholders with purely financial significance.

5 Discussion

5.1 Theoretical Implications

The following section elaborates on the research findings and relates them to the concepts of stakeholder theory, social responsibility as well as social innovation examined from the literature. The following is divided into the different categories of analysis in order to connect the results to the different literature streams of the research topics mentioned above. The categories *Company Values/Principles* and *Innovation Culture* are not explicitly discussed because they are either already partially discussed in other category sections, have no relevant impact on the other categories, or are less relevant to answering the research questions.

The theoretical contribution of this study was to provide a deeper understanding of the barriers and drivers that influence the commitment to social responsibility and its translation into social innovation in SMEs. In addition, the aim was to find out whether stakeholders can have an influence on commitment to social responsibility. To this end, the following two research questions RQ1 and RQ2 were formulated:

RQ1: "What drives or inhibits German Small and Medium-sized Enterprises to commit to social responsibility and, as a result, to develop or not develop innovation with a social purpose?"

RQ2: "To what extent do stakeholders influence the commitment to social responsibility?"

To answer the research questions, the literature on stakeholder theory and social responsibility in the realm of social innovation in SMEs was reviewed using a qualitative multiple case study. To this end, a stakeholder perspective was taken to identify which stakeholders influence the commitment to social responsibility in SMEs and to what extent. In doing so, the *descriptive*, *instrumental*, and *normative* attributes of stakeholder theory (Freeman, 1984) introduced by Donaldson & Preston (1995) were used to better understand the drivers for engaging in social responsibility and social innovation in SMEs. In addition, each attribute reflects how companies engage in managing relationships with their stakeholders, or the influence stakeholders have on company priorities (Sigurdsson & Candi, 2019).

Due to the interrelated literature on stakeholder attributes, three categories are first discussed. The other categories are then discussed according to the chronological order of the cross-case analysis. The evaluation of the *descriptive* attribute corresponds to the category of *Participation in Social Responsibility*; accordingly the *instrumental* attribute is associated with the *Measurable Commitment to Social Responsibility*. Finally, the *normative* attribute corresponds to the category of *Reasons for (not) Developing Social Innovation* (hereafter referred with the

category of *Social Innovation*). In addition, each attribute reflects how companies engage in managing relationships with their stakeholders, or the influence stakeholders have on company priorities (Sigurdsson & Candi, 2019).

The *descriptive* attribute refers to a company's commitment to social responsibility (Sigurdsson & Candi, 2019). The findings regarding the *descriptive* dimension show that SMEs' commitment to social responsibility focused particularly on employees and the community, as SMEs felt most responsible for these stakeholders. Employee welfare is mostly ensured in the form of active measures for employees and social benefits, while support for the local community takes the form of charity support, sponsorship, fundraising and active participation in company projects. Accordingly, the descriptive dimension is lived out in such a way that SMEs' commitment to social responsibility operates through ensuring social and employee well-being. This is also supported by literature suggesting that relationships with employees (Russo & Perrini, 2010) and employee satisfaction (Santos, 2011) are key drivers of SMEs' social responsibility efforts.

The *instrumental* attribute includes how SMEs communicate their social responsibility to stakeholders (Sigurdsson & Candi, 2019). The findings show that the majority of SMEs report on socially responsible activities mostly informally and at the local level, targeting in particular employees (e.g. via the internal newsletter) or potential new employees (e.g. via the website). In contrast to formal reporting (e.g. sustainability reports) that is mostly intended to satisfy stakeholders with financial significance, SME reporting on social responsibility is aimed at stakeholders who have a direct impact on the company's performance, such as employees and customers. Social responsibility reporting is limited because SMEs assign it to pure marketing purposes for the external presence of the company, which contradicts the intention to engage in socially responsible activities out of an intrinsic incentive. Thus, SME involvement in social responsibility is mainly communicated internally to employees and externally to potential new employees as well as customers through simple tools such as social media and websites.

The *normative* attribute describes the tendency to solve social problems with innovation (Sigurdsson & Candi, 2019). In this regard, the findings show that all SMEs recognize the negative impact of their business and therefore consider social responsibility as a potential source for creating added value for society and the environment. In line with the *normative* attribute, social innovation can be seen as "the right thing to do" (Garriga & Melé, 2004), which according to the findings not only contributes to giving back to society, but in addition helps to build a social image, improve the company's profile, and establish new contacts. In conclusion, the findings show support for the proposition that SMEs tend to tacitly engage in social responsibility and

"walk" social responsibility rather than just "talk" about it by reporting their engagement to the outside world (Baumann-Pauly et al., 2013). This is also consistent with further findings from the literature that SMEs do not feel the need to express their commitment to social responsibility in the way of formal disclosure (e.g. in line with standards) in order to gain legitimacy for their business (Arvidsson, 2010; Branco & Rodrigues, 2006; Panwar et al., 2014). According to the findings, the reason for this is that SME managers do not have to prove to others any financial benefit of their commitment to social responsibility, which enables them to invest autonomously in social responsibility.

In this context, the findings also show that SMEs do not have a strategy for social responsibility because such involvement is largely done on an ad hoc basis. The most commonly stated reason for this is that social and environmental action is carried out according to the need for support, as well as depending on the availability of capacity and financial resources. This supports the proposition of unstructured and unplanned SME participation in socially responsible activities, which is also why social responsibility is less formally and strategically integrated into the companies and thus institutionalized (cf. Jamali et al., 2009; Perrini et al., 2007; Santos, 2011).

Perception of Social Responsibility

The data analysis further shows that SMEs refer social responsibility more to the human factor within the company, whereby activities towards employees are seen as an integral part of the business. This finding is also consistent with the discovery of Jenkins (2009), who found that SME directors view social responsibility as a critical part of their leadership. However, the finding of Jenkins (2009) no longer applies to another observation made in this study: SMEs also recognize their responsibility to society, although these activities tend to be seen as separate from the business and more as additional services they provide. This finding provides more support for the argument that SMEs see themselves as citizens and therefore have social ties that they do not primarily associate with business activities (Spence & Lozano, 2000).

Furthermore, environmental concerns are excluded from the understanding of the concept, as the environmental factor is more likely to be identified with the natural environment. Therefore, SMEs do not directly associate sustainability with social responsibility, although the interviews show that SMEs carry out different activities to improve sustainability in the company or even in the industry in which they operate. The lack of a clear understanding of social responsibility could be due in large part to the multidimensional nature of the concept, which is why SMEs often limit the perception of social responsibility to *responsibility towards employees* (Santos, 2011) or to *environmental responsibility* (Ratajczak & Szutowski, 2016).

Drivers of Social Responsibility

The findings also show that the main driver for SMEs to participate in social responsibility is the intrinsic motivation to "do the right thing" and make a valuable contribution to society in return for economic activity. In this context, the findings also demonstrate that this motivation is mostly found in owner-managed SMEs, suggesting that the intrinsic values of owners and managers primarily SMEs' orientation toward social responsibility and thus their engagement in social responsibility. This is also in line with the argument cited in the literature, according to which the main driver for committing to social responsibility is determined by value rationality and moral as well as ethical motives and therefore results from an inner impulse to voluntarily give something back to society (Grimstad et al., 2020; Jenkins, 2009; Nooteboom, 1988).

Social Innovation

A key finding that can be derived from the data analysis is that the main reason for the development of social innovations is the sustainability aspect. SMEs see themselves as responsible for acting sustainably and increasingly aligning their operational and strategic business accordingly. This implies that sustainability is a key driver for engaging in social innovation (Milwood & Roehl, 2019; Qureshi et al., 2021). In addition, SMEs perceive a certain responsibility for sustainability, which is also included in the concept of social responsibility, as it encompasses not only the economic and social, but also the environmental aspects of doing business (Carroll & Shabana, 2010; Jenkins, 2006; Santos, 2011; Sarkar & Searcy, 2016).

As shown in figure 2 (see chapter 2.3), it was assumed that there is a virtuous cycle between social responsibility and social innovation, with SMEs expected to be driven by either *values* with social responsibility being the input and innovation the output or by *value* with innovation being the input and increased social responsibility the output. The findings indicate that most SMEs started their business based on the overall purpose of making a living from doing business in a sustainable way. Only company G has founded its business on the basis of social responsibility and welfare-oriented business practices. Since the intrinsic motivation of "doing the right thing" was frequently mentioned, it could be initially inferred that SMEs are driven by values and seek to develop innovations with a social purpose due to their responsibility towards the community or environment (innovation driven by social responsibility).

Although the findings indicate that the majority of SMEs were not founded with the purpose of creating value that is primarily socially responsible, they nevertheless have an intrinsic drive for social responsibility from the early stages, which increases over the years and only later becomes more integrated into innovative activities. This leads to the conclusion that the

motivation of "doing the right thing" developed over the course of doing business and became a prevailing factor at a later stage. Overall, it emerges that all SMEs strive to create innovative value beyond their core business by addressing stakeholder needs and thus "doing things right".

The study thus shows that the SMEs interviewed are initially driven by values, without a focus on actively integrating their responsibility to the community or environment into innovative outcomes. After the early stages, they become more driven by value and eager to create innovations in a socially responsible way, thus they focus more on integrating social responsibility into company outputs (social responsibility driven by innovation). This supports the assumption of MacGregor and Fontrodona (2008) that SMEs are driven by value creation through innovation, which in turn can lead to increased social responsibility. This is also in line with the fact that today, due to societal pressures, companies feel obliged to consider the impact of their operational processes and collaborate with stakeholders in the development of innovations in order to be ultimately successful (Rexhepi et al., 2013).

Barriers and Promoters of Social Responsibility

The data analysis shows that the aspect of personal motivation of SME owner-managers is a key promoter for the implementation of social responsibility activities identified from the data analysis. This finding is also supported by the literature, which indicates that SMEs' social responsibility activities are more likely to be motivated by personal beliefs of their managers and owners, who have a high awareness of social responsibility, which is more likely to be due to their intrinsically and ethical motivated attitudes than to strategic intentions (Brammer et al., 2011; Habisch, 2004; Jenkins, 2009; Spence & Rutherfoord, 2003).

Although SME managers see social responsibility as a potential source of added value for society and the environment, they do not regard such innovation profitable enough to ensure the financial stability of the company. Rather, socially responsible actions are perceived as monetary costs and capacity efforts for which both the budget and the capabilities must be in place. In this context, Friedman's (1970) theory can be applied, as social responsibility is seen as a cost that does not add to the profits generated by day-to-day operations, making the monetary factor perceived as a barrier to social responsibility engagement (Lepoutre & Heene, 2006).

This also shows that social responsibility is seen more as a personal incentive and less as a strategic advantage, which is why the concept is not seen as strategy-related for the interviewed companies. Rather, the concept is perceived as commitment to participate in responsible deeds that must be planned and executed in addition to the day-to-day business. From the literature, it also becomes evident that SME managers often do not see the strategic benefits of social and

environmental activities (Brammer et al., 2011) because they are overwhelmed with their day-to-day business as it requires a high level of dedication, which in turn results in a lack of time to deal with overall societal issues that do not yield direct return (Lepoutre & Heene, 2006). This in turn supports the conclusion drawn in this study that SMEs prefer to engage at the local level to achieve a positive impact that is directly visible to them.

In this regard, small company size is also found to be a determining factor for or against social engagement in two ways: on the one hand, a small company size is seen as a barrier in terms of availability of fewer resources which supports the argument made in the literature that SMEs are at a financial disadvantage compared to large companies (cf. Avram & Kühne, 2008; Eggers, 2020; European Commission, 2020; Jenkins, 2006; Lee et al., 1999; Lepoutre & Heene, 2006). However, the analysis also shows that the financial endowment is not the only decisive factor for social responsibility engagement, as is often claimed in the literature, but that other aspects also play an important role such as the industry in which SMEs operate, personal motivation of SME owners, as well as sufficient capacity in terms of staff and time (Baumann-Pauly et al., 2013). On the other hand, the small size of SMEs is seen as an advantage for investing in social responsibility because SMEs do not have to account for their commitment to social responsibility to investors and shareholders as large companies do. This can be attributed to the fact that SME manager-owners can decide on the use of their own capital (Zastempowski & Cyfert, 2021) and therefore do not have to provide accountability for business-related decisions.

With regard to the liability of newness, according to Stinchcombe (2000) newer firms have a greater risk of failure than established firms. However, the findings show that relatively newly established SMEs view the courage to fail as a prerequisite when it comes to developing innovations that may not be successful (see companies A and D). In addition, SMEs are often associated with the difficulty of adapting their business processes to current and disruptive situations (Eggers, 2020; OECD, 2019; WTO, 2020). This can be refuted by the findings of this study, as flexibility and agility are actively integrated into the value function by most SMEs in order to remain versatile outside their business focus and to be able to adapt to changing circumstances such as crises and emerging trends. The findings therefore support the assumption that SMEs are highly capable of responding to challenges and changes (Eggers et al., 2012).

Stakeholder Importance

The SMEs had no difficulty identifying their key stakeholders, which revealed that stakeholders with productive and/or emotional value (e.g. employees, customers, the community) have a significantly higher influence on social responsibility decisions than stakeholders with financial

relevance (e.g. shareholders, investors). It is further found that customers and employees are seen as driving forces of the business. While customers are the most important source of revenue, employees are important not only for the company's productivity, but also for its social orientation, which is why SMEs try to keep customer satisfaction and employee well-being high at all times.

On this note, the findings suggest that stakeholders can be a guiding force for SMEs, influencing the way they implement social responsibility. When SME respondents were asked to rank certain socially responsible activities for different stakeholders (see appendix 1, question 29), activities that improve employee well-being emerged as most important. Accordingly, within the framework of stakeholder theory, the existence of stakeholders can be an incentive for SMEs to engage socially and improve their socially responsible activities (Morsing & Perrini, 2009; Park et al., 2014). In addition, it has also been noted in the literature that employee welfare in particular is a key driver for SMEs to engage in socially responsible activities, which is why they provide them with benefits that go beyond legal requirements (Spence & Lozano, 2000).

The data analysis also shows that building relationships with influential stakeholders and behaving responsibly toward them are two interrelated values that drive SMEs economically as well as socially. Similarly, SMEs were found to express these values through ethical behavior and adherence to social standards, which is why the well-being of employees, customers, and the community is considered a top priority. This finding is also consistent with the common inference that ethical practices and honest dealings with key stakeholders are important values for the growth of SMEs (Brammer et al., 2011; Habisch, 2004; Jenkins, 2009; Russo & Perrini, 2010). In addition, these values could also support the assumption that SMEs, due to their small company size, maintain close relationships with their stakeholders and thus have better access to their employees, customers and their societal surroundings (Eggers et al., 2012; Nooteboom, 1988). This in turn could be used as an advantage to strengthen the network in the long term.

5.2   Managerial Implications

Although there is evidence in the literature that socially responsible activities have a positive impact on SME profitability (e.g. Cegarra-Navarro et al., 2016; Martinez-Conesa et al., 2017; Valdez Juárez, 2017), this study revealed that the interviewed SMEs do not recognize the benefits of such activities. Nevertheless, it was found that SMEs participate in social responsibility in various ways, which is why motivation is not fundamentally a problem for them. However, as social responsibility becomes increasingly important, SMEs need to incorporate socially responsible practices into their business without neglecting their day-to-day operations. As

capacity issues have been identified in SMEs, it is particularly important to help them understand the strategic benefits of engaging in social responsibility. Therefore, some suggestions for decision makers, such as managing directors, are derived below to improve the business-integrated and increased participation of SMEs in social responsibility.

First, the SMEs that were interviewed will receive a summary of the findings of this study. This will give them an insight into how other SMEs practice their social responsibility and how this may result in innovative outcomes with social added value. In addition, SMEs will be able to see the importance other SMEs attach to their stakeholders and how they align their priorities with their interests. Comparing their individual attitudes with the overall picture can help them rethink their approach to social engagement and encourage them to integrate social responsibility more actively into their business.

Second, since capacities in terms of time, knowledge, and organizational effort are also one of the major barriers identified from the analysis, building capacity could increase the expertise of SMEs to engage in social responsibility. According to the findings, internal management support could be a motivating factor for social responsibility engagement, which is why instructing employees to learn about socially responsible subjects would help them to independently build knowledge in this area. In addition, targeted recruitment of experts from modern degree programs dealing with aspects of sustainable business management could reduce the organizational burden through relieved staff and also enable strategic integration of socially responsible roadmap points into the corporate strategy with the necessary expertise.

Third, managers would need to effectively integrate social responsibility into business operations by actively addressing this topic to key stakeholders on a continuous basis. For example, involving suppliers into company-related expectations regarding the sustainability of supply chains could be a way to raise their participation in social responsibility (Chen et al., 2019). In this regard, company G is seen as a pioneer in transforming social responsibility into criteria that are continuously incorporated into decisions on welfare-oriented projects. The problem lies mainly in how to integrate social responsibility into the overall business, such as innovation and stakeholder management, in order to reduce unnecessary effort in socially responsible activities and still being able to maintain a constant level of participation. Therefore, SMEs are recommended to actively engage and communicate with stakeholders by sharing the company's values as well as their perceptions and expectations regarding socially responsible behavior.

5.3 Limitations and Implications for Future Research

Although this study has provided interesting insights in the area of social responsibility in relation to social innovation, it also entails limitations that may provide a basis for future research. These limitations are, on the one hand, due to the multidimensional concept of social responsibility, as well as the application of the theoretical constructs of stakeholder theory and social innovation. On the other hand, limitations can be attributed to the chosen research method of semi-structured interviews and related methodological shortcomings.

Although generalizability to an entire population was not the goal of this research, studying a sample of ten companies makes it more difficult for conclusions to be representative of a larger population and can thus lead to biased conclusions (Shaheen et al., 2019). However, in order to be able to make generally valid statements, it is recommended that a larger sample be examined (ibid, 2019). Although no general conclusions can be drawn about motivational factors, the findings in this study are applicable in the context of the sample drawn, taking into account various peculiarities of individual SMEs, such as the mentality and behavioral patterns of owner-managers as well as SMEs' relationships with their key stakeholders.

In addition, the sample from the list of the TOP 100 competition was deliberately chosen to investigate the relationship between social responsibility and innovation in German SMEs. However, in order to gain a more comprehensive understanding of the phenomenon, future researchers are recommended to include European SMEs from several countries. To enable this, researchers from different countries with the same study objective could join forces and include their single-country study in a cross-national comparison. With such a comparison, behaviors in relation to the drivers and barriers of engagement in social responsibility and social innovation between different countries could be analyzed on an aggregate level and provide new insights. These insights could be further traced back to country-specific factors (e.g. infrastructure) and allow to make statements about similarities and differences for specific countries.

Another methodological limitation stems from the use of only one data source, as the data consisted of subjective perceptions expressed by owners, managers, and senior department managers of SMEs, which is why the findings might be biased. In this context, this raises the common problem that interviewees might distort the truth of statements by self-reporting: the concerns are particularly social desirability bias and the possibility that respondents may give socially desirable answers in order to present a positive version of themselves (Dale et al., 2021; van de Mortel, 2008). To address this restriction, more comprehensive research could additionally

solicit the opinions of SME stakeholders such as employees, customers, and suppliers in order to compare the findings and obtain a more holistic picture of business perceptions.

Although the purposive sampling technique was used to select the sample, the selection of the sample in terms of industry sectors was not intentional but random, the sample consisted mainly of companies from the IT sector. In this sense, the method could be extended to specifically include a number of different types of sectors in the sample. Following this line of research, both innovation and socially responsible behavior could be studied by sector and conclusions could be possibly drawn about the varying intensity of implemented social responsibility across different sector types. To do this, different researchers could collaborate in the future, with one study focusing on a single sector or groups of similar sectors, and then identifying emerging patterns and including or excluding the sector as an explanatory factor.

While a large part of the study focuses on finding answers to how social responsibility commitment affects the adoption of social innovation by SMEs, it is important to note that the interdependencies between social responsibility and innovation activities are bilateral in nature: on the one hand, companies that focus innovative activities on socially significant issues are better able to adapt to changes in the environment, which in turn affects the level of innovation capacity (Bahta et al., 2021). On the other hand, the introduction of innovative activities enables better implementation of social responsibility, as it ensures better adaptation of the company to changes in the environment, thus promoting the potential for creativity (Zastempowski & Cyfert, 2021). This dependency suggests that further research is needed to examine the linkages between social responsibility and innovation as well as their impact on business outcomes.

Since social responsibility is a broad concept with no consensus on its definition (Ratajczak & Szutowski, 2016), the relationship between social responsibility, stakeholders, and innovation is very complex. This could be due, for example, to the fact that the relationship is influenced by several factors that should possibly be examined individually in order to be able to make accurate statements. For example, a main barrier identified to engage in social responsibility is a lack of financial and capacity resources. Therefore, investigating the link between resource endowment and engagement in social responsibility among SMEs could be an opportunity to examine whether the level of commitment to social responsibility of SMEs with sufficient resources can be distinguished from those with more limited resources. This study has also shown that stakeholders such as employees, customers and the community, encourage SMEs to engage in social responsibility. Therefore, future research could explore what drives these stakeholders to provide insight into why companies should engage in socially responsible activities.

5.4   Conclusion

To answer the first question of how SMEs implement social responsibility that can potentially lead to innovations with a social intent, it was found that social responsibility participation is primarily focused on employee and community activities. In this context, the main driver of social responsibility engagement is the intrinsic motivation of SME owner-managers to "do something good", that is, to give something back to society and the environment in return for their economic activity. However, this motivation is often hindered by the lack of capacity and financial resources that have to be mobilized in order to integrate socially responsible practices into the company. In addition, the study shows that SMEs do not communicate their social responsibility through formal reporting, but rather engage in it tacitly. In the context of social innovation, German SMEs tend to be values-driven in the start-up phase, and later become more value-oriented, striving to integrate social responsibility into business processes and related innovative activities rather than actively pursuing the development of socially beneficial innovations from the beginning.

The findings to the second research objective suggest that stakeholders are a guiding factor that shape the orientation towards social responsibility and influence the way in which social responsibility is implemented in SMEs. Although SMEs prioritize responsible behavior towards all stakeholders, they particularly strive to align socially responsible activities with the needs of those stakeholders who have a significant influence on social responsibility decisions. To this end, this study found that stakeholders who have productive and/or emotional value to the company, such as employees, customers and community members, have a significantly greater influence on social responsibility decisions than stakeholders with a purely financial significance, such as investors or shareholders.

To conclude, the present study suggests that commitment to social responsibility can help SMEs to develop innovations with a positive impact on society and the environment together with stakeholder incentives. However, the lack of a clear approach to study the relationship between social responsibility, social innovation, and the role of stakeholders in SMEs, requires more qualitative research to achieve a deeper understanding of the influencing factors. To this end, the present study offers a fruitful basis on which further research can build on in order to adopt new approaches to the analysis of these complex phenomena.

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Appendices

Appendix 1: Interview Guide

	Interview section	References
1	**Gathering factual information about the interviewee's function and role**	
1	What is Your current position in the company?	Developed based on Colovic et al. (2019); Hove & Anda (2005)
2	How long have You worked in the company?	
3	How long have You been in this position?	
4	What are Your main areas of responsibility?	
2	**Examining what drives the company and what values define the company**	
5	What are the main values/principles that guide the company? ○ Sub-question: Are these communicated internally and externally?	Adapted from Colovic et al. (2019); Iturrioz et al. (2009); Spence & Rutherfoord (2003)
6	How do You incorporate these values into daily business? ○ Sub-question: Do You have an example?	Adapted from Colovic et al. (2019); Santos (2011)
7	What is the larger purpose of the company?	Developed by the researcher herself (emerged from previous question)
3	**Finding out how the company implements social responsibility**	
8	What do You understand by the term "social responsibility"?	Adapted from Jamali et al., (2009); Murillo & Lozano (2006)
9	Does the issue of social responsibility play an important role for You or the company?	Adapted from Sen & Cowley (2013); Turker (2009)
10	Do You think that the company is socially responsible? ✓ Sub-question, if yes: Do You think everyone in the company thinks the same way? ✗ Sub-question, if no: Why not?	Adapted from Sen & Cowley (2013); Turker (2009)

11	Who decides whether social responsibility activities are undertaken or not?	Adapted from Colovic et al. (2019); Sen & Cowley (2013)
12	How does the company contribute to social responsibility? ○ Sub-question: Can You give an example of where social responsibility is brought into focus in the company?	Adapted from Colovic et al. (2019); Morsing & Perrini (2009)
13	Related to the previous question: What has changed from this social commitment in the respective area?	Developed by the researcher herself (emerged from previous question)
14	What is it that motivates the company to do or consider doing these things/activities?	Developed based on Colovic et al. (2019); Jamali et al. (2009); Jenkins (2006); Russo & Perrini (2010); Santos (2011)
15	Does the company disclose on social activities by reporting on them? ✓ Sub-question, if yes: What value does the report add to the company? ✗ Sub-question, if no: Why did the company choose not to report on social responsibility?	Adapted from Colovic et al. (2019); Jamali et al. (2009)
16	Does the company follow a formalized strategy to implement socially responsible activities? ✓ Sub-question, if yes: Is this strategy communicated to employees and external stakeholders? ✗ Sub-question, if no: What guideline or principle do You follow then in implementing these activities?	Adapted from Colovic et al. (2019); Santos (2011)
17	Does the company have metrics to measure the improvement of the implementation of social responsibility over time? ✓ Sub-question, if yes: What kind of metrics?	Adapted from Jamali et al. (2009)
18	Does the company have future plans regarding the implementation of social responsibility? ✓ Sub-question, if yes: What are these specifically? ✗ Sub-question, if no: What are the firm's priorities?	Adapted from Colovic et al. (2019); Sen & Cowley (2013)
4	**Inquiring about how the company innovates to gather input on social innovation**	
19	How does the company develop new ideas? ○ Sub-question: Is there the same intent behind these ideas? ✓ Sub-question, if yes: Which one?	Developed based on Terziovski (2010)
20	How does the company stay innovative? ○ Sub-question: Is innovation encouraged by the company?	Developed based on Strobel & Kratzer (2017)
21	Is the company's development of new products and services designed to meet customer needs?	Developed based on Sundström et al. (2020); Terziovski (2010); Turker (2009)
22	Does the company initiate improvements in society by developing new products and services?	Adapted from Candi et al. (2019)

23	Does the company develop new innovations to find solutions to societal needs?	
24	What benefits do You or the company see in developing such innovations?	Developed based on Brammer et al. (2011)
25	Do You have any experiences with social responsibility and retrieving innovative outcomes from it?	Developed based on Martinez-Conesa et al. (2017)
26	What do You think would encourage the company to be more innovative in the area of social responsibility? o Sub-question: Would these arguments also apply to SMEs in general?	Developed based on Colovic et al. (2019); Zastempowski & Cyfert (2021)
27	Do You see any (other) difficulties in developing such innovations and successfully bringing them to market? o Sub-question: Can You estimate to what these difficulties could be attributed (e.g. internal tensions)?	Developed based on Chalmers (2013); Strobel & Kratzer (2017)
5	**Identifying key stakeholders for social responsibility engagement**	
28	To what extent do stakeholders influence social responsibility decisions in the company?	Adapted from Morsing & Perrini (2009); Santos (2011); Sen & Cowley (2013)
29	How would You prioritize the following six options for the company, from *1 = what is least relevant* to *6 = what You think is most relevant* (each number can only be used once) • Collaborate with innovative suppliers such as start-ups to find new avenues to innovate. • One-time donations to help people who have been victims of a flooding event. • Offering extended benefits to employees such as gym-pass, travel packages, medical benefits. • Donations on a regular basis for the educational support of women in underdeveloped regions. • Being a sponsor of an organic beverage brand. • Financial support for employees for training, continuing education, as well as dual study programs. Why did You prioritize the options in this order?	Developed based on Sen & Cowley (2013); Turker (2009)
30	Which stakeholders are important for the company to remain innovative?	Developed based on Bahta et al. (2021)

Appendix 2: Survey Guide

Survey Section	References
Gathering information about the interviewee's view on social responsibility	
For me or my company, social responsibility means ... *Only one option possible*	Developed based on Rexhepi et al. (2013)

o ... ensuring the financial stability of the company and its employees and responding to the needs of investors. o ... ensuring the financial stability of the company and at the same time do something good for the environment or society. o ... first and foremost to meet the needs of our stakeholders and also to engage socially. o ... to meet the needs of our stakeholders, with a clear focus on the profitability of our business. o ... that the company's activities should not restrict others in their well-being and, furthermore, create value not only for the company itself but also for others.	
How important is social responsibility to You or the company? *Rating on a scale from 1 = not important to 5 = very important*	Developed by the researcher herself
Gathering information about the interviewee's understanding of social innovation	
Which of the following options would You choose in terms of their importance to the company and its values? *Only one option possible* o An innovation that primarily solves a social problem, but it is uncertain whether it will succeed in the marketplace. o An innovation that benefits the customers and is well received in the market. o A successful innovation that meets the needs of our customers while solving a social problem.	Developed by the researcher herself
Which of the following do You consider innovations that solve a social problem (social innovation)? *Multi-selection possible* o Integrating mobile phones into medical care by allowing people to call and get immediately connected to medical professionals. o The development of a new battery-electric car with high quality and expensive materials, designed to emit fewer emissions and to serve the customer base. o Creating a dialogue between different people to promote a cultural change towards a peaceful educational environment. o Collaboration between a competing laboratory and for-profit companies from around the world to provide life-saving antibody cocktails for protection before or after exposure to deadly viruses. o Offering digital entertainment to users to enhance the entertainment experience and make it independent of spending on DVDs or regular cinema visits. o Developing a sensor that can detect pollutants at very low concentrations underwater to understand ocean dynamics and detect harmful marine pollutants. o None of these options apply.	Developed based on Mulgan et al. (2007)
Examining perceived difficulties in developing (social) innovation	
Which of the topics listed below do You think are most important for innovation in the company? *Asking to rank the answers in order of priority from 1 = what is considered least relevant to 4 = what is considered most relevant (each number can only be used once)*	Developed based on Bahta et al. (2021);

o The cost aspect for the implementation of innovations o Access to (internal and external) funding o The availability of required skills o Access to public grants and subsidies o Internal support (e.g. by top management, employees) o External incentives from partners to innovate together	Strobel & Kratzer (2017)
Asking for the company's key stakeholders	
Which of the following stakeholders is most important for the company? *Multi-selection possible* o Employees o Suppliers o Customers o Shareholders o Competitors o Environment o Community/Society o State regulatory authorities o None of the above players	Adapted from Jamali et al. (2009)

Appendix 3: Questionnaire

Survey on the Commitment to Social Responsibility and Social Innovation in German Small and Medium–Sized Enterprises

Welcome to my survey,

My name is Alexandra and I am a Master's student at the University of Twente, where I am currently pursuing my degree in Business Administration with a specialization in Strategy, Entrepreneurship and Innovation. In my master thesis, I am investigating the social responsibility of innovative Small and Medium-sized Enterprises (SMEs). My goal in doing so is to gain a better understanding of the role social responsibility plays in SMEs and how it leads to innovation with social value.

While social responsibility of large organizations has been thoroughly studied in the literature, there is a lack of academic knowledge about the concept from the perspective of SMEs. Yet the SME sector in Germany -as in many other countries- contributes significantly to economic growth, social cohesion, employment as well as local development.

In addition, different views exist in the literature on how social responsibility and innovation with social added value are linked. For example, social innovation can be a mechanism for integrating social responsibility. However, there is no consensus on how social responsibility and innovation are related and implemented in SMEs.

It takes approximately 5-7 minutes to complete the survey. The final evaluation within the thesis will be anonymous. Your answers in the survey as well as in the interview will be treated confidentially and will only be used in the context of this study. This means that Your company is not mentioned by name and no data can be traced back to Your company.

Thank You for Your participation in the survey, I appreciate Your support very much.

General data protection regulation *

☐ I hereby consent to the processing of my data for the sole purposes of this study.

For me or my company, social responsibility means … (please select the statement that applies most to Your company) *

☐ … ensuring the financial stability of the company as well as its employees and responding to the needs of investors.

☐ … ensuring the financial stability of the company and at the same time doing something good for the environment or society.

☐ … first and foremost, meet the needs of our stakeholders and engage socially

☐ … meet the needs of our stakeholders, but put the profitability of our business first

☐ … that the company's operations should not restrict others in their well-being and, furthermore, create value not only for the company itself but also for others.

How important is social responsibility for You or Your company? (Please rate on * a scale from 1 = not important at all to 5 = very important)

	1	2	3	4	5	
Not important at all	○	○	○	○	○	Very important

Which of the following options would You choose in terms of their importance * to your company and its values? (Only one option possible)

☐ An innovation that primarily solves a social problem, but it is uncertain whether it will be successful in the marketplace.

☐ An innovation that benefits your customers and is well adopted in the marketplace.

☐ A successful innovation that meets customer needs while solving a social problem.

What of the following innovations do you perceive as social innovations? (You can choose more than one option) *

- ⚪ Integrating mobile phones into medical care by allowing people to call in and get immediately connected to medical professionals.
- ⚪ The development of a new battery-electric car with high quality and expensive materials, designed to emit fewer emissions and to serve the customer base.
- ⚪ Creating a dialogue among different people to promote a cultural shift toward a peaceful education environment.
- ⚪ Collaboration among competing laboratories and for-profit companies from across the world to provide lifesaving antibody cocktails for pre- or post-exposure protection against deadly viruses.
- ⚪ Offering online streamed entertainment available to users to enhance the entertainment experience and make it independent of expensed made for DVDs or regular cinema visits.
- ⚪ Developing a sensor that could detect pollutants at very small concentrations underwater to understand marine dynamics and track harmful marine pollutants.
- ⚪ None of these options apply.

Which of the following stakeholders do You consider most important to Your company? *

- ⚪ Employees
- ⚪ Suppliers
- ⚪ Customers
- ⚪ Competitors
- ⚪ Shareholders
- ⚪ Environment
- ⚪ Community
- ⚪ Government (regulators)
- ⚪ None of the above listed stakeholders

Which of the issues listed below would You rate most relevant to the development of innovation in Your company? Please prioritize the below answers from 1 = what you think is the least relevant to 4 = what you think is the most relevant (each number can be only used once). *

	1	2	3	4
The cost aspect for the implementation of innovations	⚪	⚪	⚪	⚪
Access to (internal and external) funding	⚪	⚪	⚪	⚪
The availability of required skills	⚪	⚪	⚪	⚪
Access to public grants and subsidies	⚪	⚪	⚪	⚪
Internal support (e.g., from top management, employees)	⚪	⚪	⚪	⚪
External incentives from partners and/or suppliers to innovate together	⚪	⚪	⚪	⚪

Which company are You working for? (This information serves for the sole purpose to connect the questionnaire to the personal interview. The final evaluation of the results in the thesis will be completely anonymous and cannot be traced back to You) *

Your answer

Submit   Clear form

Appendix 4: Email Request 1

Dear Sir or Madam,

my name is Alexandra Kardatzki, and I am a master student at the University of Twente, where I am currently pursuing my degree in Business Administration with a specialization in strategy, entrepreneurship, and innovation. In my master thesis I am investigating the social responsibility of innovative Small and Medium-sized Enterprises (SMEs). My goal is to gain a better understanding of the role social responsibility plays in SMEs and how it leads to innovations with social added value.

To investigate my research topic in a practical way, I would like to conduct a **short interview** with a representative of Your company on the aforementioned topic. To give you a better idea of the type of questions I would be interested in, I am sending You **five sample questions** below.

I would appreciate a brief response about whether You would be willing to conduct an approximately **one-hour interview** with me about social responsibility, social innovation, and the role of stakeholders. Regarding a possible date, I would be happy to comply with Your wishes.

I am, of course, at Your disposal for further inquiries by e-mail ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮ or by mobile phone ▮▮▮▮▮▮▮▮▮.

Yours sincerely,
Alexandra Kardatzki

<u>Sample interview questions</u>

1. What do You understand by the term "social responsibility"?

2. Do You have examples of where social responsibility is put into focus in Your company and what resulted from this social commitment in the corresponding area?

3. What do You think would encourage SMEs to be more active and innovative in the area of social responsibility?

4. Which stakeholders/stakeholders are relevant for the company to remain innovative?

5. To what extent do these interest groups/stakeholders influence corporate decisions on social responsibility?

Appendix 5: Email Request 2

Dear Sir or Madam,

thank You for your quick response and Your willingness to participate in an interview. I expect the interview to take about an hour. Would it be possible for You to use MS Teams?

Before conducting the interview, I would ask You to complete a **survey** with **six questions that** I have prepared. Answering the questionnaire will take about **5-7 minutes** and at the same time will help me to prepare for the interview in the best possible way. You can access the survey by clicking on the link below.

Thank You for Your participation in the survey as well as the interview. I greatly appreciate Your support.

Best regards,
Alexandra Kardatzki

Link to survey: ███████████████

Appendix 6: Email Request 3

Dear Mr./Mrs. ██████████,

before our interview tomorrow I would like to collect some additional information about the company. This information will only be used for data analysis within my master thesis and will also be anonymized.

The required information is as follows:

- What products or services does the company offer?
- How many employees do You currently have?
- What was the company revenue generated in 2021? (Optional if You do not want to disclose this information).
- What is Your age?

Thank You very much for Your willingness and I look forward to the interview.

Best regards,
Alexandra Kardatzki

Appendix 7: Category System[7]

Interview Section	Interview Questions	Category Mapping	Emerging Categories	Description	References (from interview guide)
What is the interviewee's function in the company?	What is Your current position in the firm? How long have You been in this position? How long have You worked in the firm? What are Your areas of responsibility?	a	**Introduction**	Asks for information about the respondent's position in the company, length of service, and main tasks to assess their **knowledge of business processes.**	Colovic et al. (2019); Hove & Anda (2005)
What drives the company in general and what values define the company?	What are the values and principles that guide the company? How do You incorporate these values into daily business activities? What is the larger purpose of the company?	b	**Company values/principles**	Serves to find out the company's values, how these are reflected in the business activities, and **what drives the company** to understand how they relate to the subject areas of social responsibility, social innovation, and stakeholders.	Colovic et al. (2019); Iturrioz et al. (2009); Spence & Rutherfoord (2003) Colovic et al. (2019); Santos (2011) Developed by the researcher herself
How does the company implement social responsibility?	What do You understand by the term "social responsibility"? Does the issue of social responsibility play an important role for You or Your company? Do you think Your company is socially responsible?	c	**Perception of social responsibility**	This category seeks to find out what the interviewee understands by social responsibility, what his/her **attitude towards social responsibility** is, and how important this topic is for the company.	Jamali et al., (2009); Murillo & Lozano (2006) Sen & Cowley (2013); Turker (2009) Sen & Cowley (2013); Turker (2009)
	Who decides whether social responsibility activities are undertaken or not? How does Your company contribute to social responsibility? Related to the previous question: What has changed from this commitment to social responsibility in the respective area or business field?	d	**Participation in social responsibility**	Serves to find out **who in the company decides** to carry out social activities, also revealing how the organizational structure is set up (e.g. flat/ steep hierarchies) to obtain information on the **distribution of power.** This category also aims to understand **how the SME participates in social responsibility**, where activities are placed in focus and whether the SME sees any change as a result of engagement.	Colovic et al. (2019); Sen & Cowley (2013) Colovic et al. (2019); Morsing & Perrini (2009) Developed by the researcher herself
	What is it that motivates the company to do or consider doing socially responsible things or activities? What benefits do You or Your company see in developing such innovations?	e	**Drivers of social responsibility**	Through the perceptions and honest opinions of SMEs, the aim is to identify the **drivers for social responsibility engagement** and to discover how it can lead to innovation. This category aims thus to **identify behavioral patterns** related to social responsibility and to discover the benefits that SMEs see in participating in social responsibility.	Colovic et al. (2019); Jamali et al. (2009); Jenkins (2006); Russo & Perrini (2010); Santos (2011) Brammer et al. (2011)

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[7] Category mapping is used to merge categories developed from both the interview and survey questions that ask about similar content. However, these were not listed under the same category name in this table in order to maintain the separation of interview and survey questions and to be able to show from which questions the corresponding categories were generated. In the MAXQDA software, the contents from the interview question and survey question were then combined under one category. For example, the categories with the letter i were ultimately summarized under the category "barriers and promoters of social responsibility" in the software.

	Does Your company disclose on social activities by reporting on them?	f	Measurable commitment to social responsibility	Used to examine if SMEs are making their socially responsible commitment measurable and to which extent it is formalized in the company. This includes investigating whether they **communicate** their commitment to social responsibility by **disclosing** on them externally (e.g. via social media) or internally (e.g. via an internal newsletter). This category also addresses whether the SME has a **social responsibility strategy** and/or **metrics** to measure the implementation of social responsibility, and whether the SME has **future plans** regarding social responsibility.	Colovic et al. (2019); Jamali et al. (2009)
	Does the company follow a formalized strategy to implement socially responsible activities?				Colovic et al. (2019); Santos (2011)
	Does Your company have metrics to measure improvements of the implementation of social responsibility over time?				Jamali et al. (2009)
	Does Your company have future plans regarding social responsibility?				Colovic et al. (2019); Sen & Cowley (2013)
How does the company innovate?	How does the company develop new ideas?	g	Innovation culture	This category aims to gain an insight into the SME's **innovation culture** and processes. This includes how the SME develops new ideas, how it manages to stay innovative, and what the company focuses on when developing new products and services.	Terziovski (2010)
	How does the company stay innovative?				Strobel & Kratzer (2017)
	Is the company's development of new products and services designed to meet customer needs?				Sundström et al. (2020); Terziovski (2010); Turker (2009)
	Does Your company disclose on social activities by reporting on them?	f	Measurable commitment to social responsibility	Used to examine if SMEs are making their socially responsible commitment measurable and to which extent it is formalized in the company. This includes investigating whether they **communicate** their commitment to social responsibility by **disclosing** on them externally (e.g. via social media) or internally (e.g. via an internal newsletter). This category also addresses whether the SME has a **social responsibility strategy** and/or **metrics** to measure the implementation of social responsibility, and whether the SME has **future plans** regarding social responsibility.	Colovic et al. (2019); Jamali et al. (2009)
	Does the company follow a formalized strategy to implement socially responsible activities?				Colovic et al. (2019); Santos (2011)
	Does Your company have metrics to measure improvements of the implementation of social responsibility over time?				Jamali et al. (2009)
	Does Your company have future plans regarding social responsibility?				Colovic et al. (2019); Sen & Cowley (2013)
How does the company innovate?	How does the company develop new ideas?	g	Innovation culture	This category aims to gain an insight into the SME's **innovation culture** and processes. This includes how the SME develops new ideas, how it manages to stay innovative, and what the company focuses on when developing new products and services.	Terziovski (2010)
	How does the company stay innovative?				Strobel & Kratzer (2017)
	Is the company's development of new products and services designed to meet customer needs?				Sundström et al. (2020); Terziovski (2010); Turker (2009)

Survey Section	Survey Questions	Category Mapping	Emerging Categories		References
	Does Your company initiate improvements in society by developing new products and services?	h	**Reasons for (not) developing social innovation**	Serves to determine what the interviewee understands by innovation that fulfills a societal need and what the company's priorities are in terms of developing innovations.	Candi et al. (2019)
	Does Your company develop new innovations to find solutions to societal needs?				
	Do You have any experiences with social responsibility and retrieving innovative outcomes from it?			The category is also designed to find out to what extent the **SME initiates improvements in society** by developing innovations from social responsibility engagement.	Martinez-Conesa et al. (2017)
	What do You think would encourage Your company to become more innovative in the area of social responsibility?	i	**Barriers and promoters of social responsibility**	The purpose of this category is to explore hindering and facilitating factors having an impact on the commitment to social responsibility and the development of social innovation from it.	Colovic et al. (2019); Zastempowski & Cyfert (2021)
	Do You see any (other) difficulties in developing such innovations and successfully bringing them to market?			This involves examining the **incentives or difficulties SMEs see in becoming more innovative in the area of social responsibility.**	Chalmers (2013); Strobel & Kratzer (2017)
What are the most important stakeholders for the company to engage in social responsibility and innovation?	To what extent do stakeholders influence decisions in Your company regarding social responsibility?	j	**Stakeholder importance**	This category aims to gather information on the influence of stakeholders on corporate decisions regarding social responsibility and related innovation activities.	Morsing & Perrini (2009); Santos (2011); Sen & Cowley (2013)
	How would You prioritize the following six options for Your company? (See appendix I, question 29)			The goal is to establish a relationship between stakeholders and social commitment by identifying which stakeholders SMEs prioritize when implementing social responsibility activities.	Sen & Cowley (2013); Turker (2009)
	What stakeholders are important to keep the company innovative?				Bahta et al. (2021)

Survey Section	Survey Questions	Category Mapping	Emerging Categories	References (from survey guide)
Social responsibility	For me or my company, social responsibility means... (see appendix II)	c	**Understanding of social responsibility**	Rexhepi et al. (2013)
	How important is social responsibility for You or Your company?			Developed by the researcher herself
Social innovation	Which of the following options would You choose in terms of their importance to your company and its values? (See appendix II)	h	**Perception of social innovation**	Developed by the researcher herself
	What of the following innovations do you perceive as social innovations? (See appendix II)			Mulgan et al. (2007)
Difficulties in developing (social) innovation	Which of the issues listed below would You rate most relevant to the development of innovation in Your company? (See appendix II)	i	**Barriers to (social) innovation**	Bahta et al. (2021); Strobel & Kratzer (2017)
Key stakeholders for the company	Which of the following stakeholders do You consider most important to the company? (See appendix II)	j	**Stakeholder importance**	Jamali et al. (2009)

Company	A	B	C	D	E	F	G	H	I	J
Founding year	2016	2000	1985	2018	1994	2019	2019	2002	1934	1988
Number of employees	12	55	120	15	100	4	15	40	180	160
Revenue generated in 2021 (in EUR)	~ 3,5 Mio	Not disclosed	~ 35 Mio.	~ 1 Mio.	~ 12 Mio.	~ 2 Mio.	Not realized yet	Not disclosed	Not disclosed	~ 180 Mio.
Company Values/Principles										
Honesty/credibility	✓			✓		✓		✓		✓
Trust	✓			✓	✓					
Flexibility/agility		✓		✓	✓	✓		✓	✓	
Relationship building	✓	✓				✓	✓			✓
Employee wellbeing			✓	✓	✓				✓	
Sustainability							✓	✓	✓	✓
Sustainable work environment	✓	✓		✓	✓				✓	
Customer satisfaction			✓	✓	✓					
Business growth	✓				✓			✓	✓	✓
Making profits			✓	✓			✓			

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[8] The / sign means that it depends on the situation whether it is one/or the other case applicable to the code. This becomes clear in the analysis. Furthermore, a ✓ sign in brackets (✓) indicates that this code indirectly applies to the respective subject.

Company	A	B	C	D	E	F	G	H	I	J
Perception of Social Responsibility										
Importance (1-5)	5	5	5	5	4	3	4	4	5	4
Strengthen the region	✔		✔		✔	✔				
Employee welfare	✔		✔	✔	✔	✔		✔	✔	✔
Social wellbeing		✔	✔		✔		✔	✔		
Environmental protection			✔	✔			✔			✔
Addressing all stakeholders					✔					✔
Participation in Social Responsibility										
Education					✔			✔		
Community support/involvement	✔	✔	✔	✔	✔	✔	✔	✔	✔	
Employee wellbeing		✔	✔	✔	✔	✔		✔	✔	✔
Environmental action			✔	✔		✔	✔			✔
Collaboration	✔	✔						✔		
Decision-making by management	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔

Company	A	B	C	D	E	F	G	H	I	J
Drivers of Social Responsibility										
Intrinsic motivation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Corporate profile	✓						✓			✓
Employee satisfaction	✓	✓	✓	✓	✓			✓		
Sustainable development				✓			✓			
Measurable Commitment										
Reporting	✗	(✓)	✓	✗	(✓)	✗	✓	(✓)	(✓)	(✓)
Formal strategy	✗	✗	✗	✗	✗	✗	✓	✓	✗	✗
Metrics	✗	✗	(✓)	✗	✗	(✓)	✓	✗	✗	✗
Future plans	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Innovation culture	Informal, open	Informal, open	Formal, fixed	Informal, open	Formal, open	Formal, fixed	Formal, fixed	Formal, open	Formal, open	Informal, open
Reasons for (not) Developing Social Innovation										
Source of revenue	✓				✓					✓
Sustainability	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Need to solve problems	✓		✓	✓	✓	✓		✓	✓	
Must make sense	✓			✓	✓				✓	
Customer focus supporting (+) or inhibiting (−) factor	+		+	-		+	+	-	+	-
Social wellbeing		✓	✓			✓	✓			

XX

Company	A	B	C	D	E	F	G	H	I	J
Barriers (–) and Promoters (+) of Commitment										
"Doing the right thing"	+	+	+	+	+	+	+	+	+	+
Social change			+		+		+	+		
Lack of openness				-			-			
Efficiency	+			+	+					
Customer satisfaction	+			-				-		
State support						+	-			+
Internal support		+/-		+				+/-	+/-	
Owner mindset			+/-	+/-		+	+/-			
Money	-	-	-	-	-	-		-	-	-
Lack of capacity			-	-						-
External pressure			-		-					+
Company size	-			-	-			-		-
Stakeholder Importance										
Employees	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Customers	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Shareholders	✓		✓			✓		✓		
Investors			✓				✓			
Collaboration	✓	✓				✓	✓	✓		✓
Natural environment	✓	✓	✓	✓		✓	✓			
Society/community	✓	✓	✓	✓		✓	✓	✓		

Appendix 9: Evaluations of Survey Question 5

Which of the topics are most important for innovation? (1 = least relevant, 4 = most important)	Company A	Company B	Company C	Company D	Company E	Company F	Company G	Company H	Company I	Company J
The cost aspect for the implementation of innovations	2	1	2	3	2	3	3	4	3	4
Access to (internal and external) funding	3	2	2	3	1	3	4	4	4	3
The availability of required skills	4	4	4	1	4	2	3	4	3	1
Access to public grants and subsidies	2	2	1	4	1	1	1	2	3	3
Internal support (e.g. by top management, employees)	4	3	4	2	3	3	2	4	4	2
External incentives from partners and/or suppliers to innovate together	2	3	3	1	1	1	2	2	3	4