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Corporate Social Responsibility and Financial Performance of U.S. Manufacturing and Service Small- and Medium-Sized Enterprises

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Walden University
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MAOM, University of Phoenix, 1999

MS, University of Florida, 1993

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Dissertation Submitted in Partial Fulfillment

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Abstract

Corporate social responsibility (CSR) investment strategies impact the business outcomes of firms of all sizes regardless of investment motives. But for small- and medium-sized enterprises (SME), the consequences of CSR investment are more immediate when compared to larger firms due to the condensed lag time between decisions and their respective outcomes. The purpose of this study was to determine whether the management decisions of social or environmental CSR investments for U.S.-based service and manufacturing SMEs are effective as represented by financial performance in their respective business sectors. The theoretical framework of this study was stakeholder and social capital theories. Five research questions were used as the basis for exploring the relationship between the financial performance of service SMEs and the financial performance of manufacturing SMEs when both invested in social and environmental CSR. From a sample of 50 U.S.-based SME firms, the perceptions of owner/managers on the extent of social CSR, environmental CSR, and financial performance were assessed via survey questionnaire and analyzed employing ANCOVA, *t* statistic, and multiple regression analyses. The results showed significantly higher financial performance for service SMEs than for manufacturing SMEs when both were engaged in workplace and customer CSR activities. Further, combined social and environmental CSR activities suggested a negative but insignificant effect on financial performance, business sector notwithstanding. The findings indicate that U.S. SMEs should consider monitoring their financial performance when making CSR investments, and when optimizing programs that are beneficial to both themselves and to society at large.

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Dedication

I dedicate this dissertation to my late parents Clarice and Rupert Williams, who inspired me to achieve to the best of my abilities. I also dedicate this doctoral dissertation to my children Alexander, Lindsay, and Nandi, for whom I hope to encourage to become the individuals they aspire to become. Additionally, I dedicate this doctoral dissertation to Teresa Williams, whose words of inspiration and unwavering support propelled me to complete my academic journey.

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Chapter 1: Introduction to the Study

Introduction

Corporations have long made profits their predominant motivation for operating, which has led to greater risk for human societies and the ecological health of Earth (Barnes, 2011; Lovins, Lovins, & Hawken, 2007). Thus, corporations are faced with increasing pressure to change their operational strategies to incorporate environmentally and socially responsible approaches when conducting business. Civil societies, including governmental agencies and environmental groups, have established standards and expectations for firms that impact the world's shared components. The obligations a company assumes in attempting to meet those societal expectations can be characterized as corporate social responsibility (CSR; Cholette, Kleinrichert, Roeder, & Sugiyama, 2014). CSR is grounded in the moral and ethical philosophies of the individual corporation, and a significant number of global corporations have embraced the challenge of impactful CSR by accepting that social concerns are legitimate and realizing that their organization's continuing operations is connected to social engagement.

Aside from these noble intentions and motives, contemporary business leaders are challenged to remain competitive and profitable while engaging in CSR. Prevailing CSR investment strategies focus on economic return and branding despite the philanthropic origins of CSR (Calabrese, Costa, Menichini, & Rosati, 2013; Doane, 2005; Inoue & Lee, 2011). But several studies suggest that firms should demonstrate to all stakeholders their ethical orientation and moral values, including the expected social and environmental impact so that a positive association with their brand is established (Ansari & Qureshi,

2015; Babiak & Trendafilova, 2011; Vallaster, Lindgreen, & Maon, 2012). Although many business leaders now envision social engagement with stockholders, local communities, and other stakeholders as a feature in conducting business in a competitive environment and have committed resources that exceed regulatory requirements, many others believe that committing more than what is required would significantly impact their financial bottom line (Marín, Rubio, & Maya, 2012; McWilliams & Siegel, 2000; Schwab, 2008).

Researchers have indicated that small- and medium-sized enterprises (SME) have different motives and considerations when engaging in CSR than larger enterprises (Hou, Liu, Fan, & Wei, 2016). A common impression is that although large corporations are primarily inspired to conduct CSR programs for reasons related to image and reputation, SME firms are encouraged by making an impact in the community leading to increased sales and profits (Salanţă & Popa, 2014). Due to the abbreviated lag time between decisions and their respective outcomes, SMEs are more immediately exposed to the potentially negative consequences of CSR investments than large corporations—namely cost, regulation, and litigation (Sarbutts, 2003). This study will address the significant CSR decision making challenges SME firms face when engaging in CSR efforts given their more limited financial resources.

This chapter contains a description of the background of the study accompanied by discussions of the specific problem addressed and the purpose of the study. The chapter also contains descriptions of the research questions and hypotheses followed by discussions of the theoretical foundation and the nature of the study and definitions of the

terms important to the study's meaning. Discussions of the assumptions, scope and delimitations, and limitations of the study are then presented, concluding with a discussion of the significance of the study.

Background of the Study

The definition of corporate social responsibility (CSR) has no consensus to date. The European Commission (2017) defines CSR as the responsibility of firms for the impact they have on society. The Business for Social Responsibility, a nonprofit business network devoted to sustainability, describes CSR as achieving success in a manner that respects ethical values, the public, and the environment (Tsoutsoura, 2004). The United Nations Industrial Development Organization (UNIDO, 2018) describes CSR as notions where firms incorporate social and environmental concerns into business operations and dealings with stakeholders. A more commonly reported definition of CSR is a set of obligations firms assume towards stakeholders beyond legal requirements (Lee & Jung, 2016).

The lack of a universally accepted definition of CSR could be attributed to the deviation in perceptions of the concept. The dimensions of CSR outlined by Carroll (1993)—philanthropy, ethics, legal, and economy—have been interpreted based on the business conditions (Szczanowicz & Saniuk, 2016). Some researchers studying European companies describe CSR dimensions as ecological, social, economic, and stakeholder size (Buhăniță, 2015). Further, CSR encompasses three tenets of sustainable development: economic growth, social equity, and environmental protection (Lee & Jung, 2016). For this study, CSR is operationally defined as the method by which a

business attains economic, social, and environmental objectives while addressing the needs of both shareholders and stakeholders. Given the broad and comprehensive concepts enveloped by CSR, business leaders consider impactful positive social involvement to be an important competency of their organization.

In addition to defining CSR, researchers have attempted to determine whether CSR is a valued component of contemporary business operations. One prevailing theory is that corporations exhibit strong social performance when there is a well-established association with their financial performance. Leaders of corporations operating in widely different industries maintain the belief that a balance must be achieved between financial goals, social involvement, and environmental action to realize lasting organizational sustainability (Boaventura, Silva, & Bandeira-de-Mello, 2012). Maintaining a balance between social responsibility, environmental stewardship, and economic viability along the entire supply chain improves the long-term economic performance of a company and aids in meeting the customer's needs and expectations (Ansari & Qureshi, 2015).

Researchers also suggest that progress in CSR efforts is dependent on the public's perception of the role businesses play in society (Doane, 2005; Sarbutts, 2003), so businesses should be vested in presenting a positive image. Another commonly held notion among scholars and environmental experts is that global corporate citizenship is based on the concept that corporate success is dependent on a prosperous and stable society and that businesses must be consigned in improving global conditions (Barnes, 2011). Currently, human civilization is experiencing profound challenges due to the marked shift in scarcity from people to natural resources and the resulting wealth

imbalance that is created in a capitalistic marketplace (Barnes, 2011). Consequently, businesses are incentivized to adjust their long-term organizational sustainability strategies accordingly (Barnes, 2011; Lovins et al., 2007).

Researchers have also attempted to establish a statistically significant relationship between investments in CSR and organizational performance. Several studies evaluated the extent to which recent quantitative studies have contributed to the continued development of CSR-financial performance concept (Boaventura et al., 2012). Most of the studies employed return on assets (ROA) to express financial performance, followed by return on equity (ROE), return on sales (ROS), sales, and operational profit, whereas CSR was mostly measured using corporate stakeholder perceptions in the areas of the global environment, employees, and community (Boaventura et al., 2012). A substantial number of researchers reported a positive relationship between CSR and financial performance, justifying a corporate CSR investment profit-minded rationale (Boaventura et al., 2012; Tsoutsoura, 2004). Researchers have also reported a statistically significant relationship between the degree of a firm's CSR investment and their previous financial performance (Rusinova & Wernicke, 2016), suggesting that changes in a firm's financial costs affect subsequent CSR investments. Given these specific constructs, businesses view CSR as an integral part of their operational strategy (Rowe, Nowak, Quaddus, & Naude, 2014).

In pursuit of perceived potential financial advantages of CSR investments, business leaders have made and continue to make substantial expenditures. In 2010, 184 of America's leading companies invested approximately $15.5 billion dollars' worth of

cash and products, amounting to just above 9% of profits before taxes (Rowe et al., 2014). In Australia, 10 of the largest corporations invested over AU$500 million in the community in 2010. However, although these investments may well yield performance advantages, the internal capabilities of firms (i.e., product differentiation and outside investments) have a profound impact on the degree of positive relationship between financial performance and CSR involvement (Lee & Jung, 2016). These complicating factors represent additional challenges in decision making for business leaders involved in considerable CSR investments.

Acknowledging these significant outlays and the current availability of CSR reporting systems, researchers have heightened their efforts in the development of viable approaches for assessing corporate community investment effectiveness. There are several independent third-party companies that rate the CSR activities of individual companies, allowing stakeholders to assess the relative environmental and social involvement of these companies. But within the SME sector, which comprises over 90% of the world's firms (Singer, 2018) and over 97% of U.S. businesses in 2014 (Ward, 2017), CSR assessment has less representation in the literature. The investigation of the relationship between operational environment, CSR, and financial performance for U.S. SME firms has not been well reported. One explanation for this condition is that CSR is a less formalized process within the SME business sector, so evaluation and reporting of social performance is a more problematic endeavor (Fassin, 2008; Torugsa, O'Donohue, & Hecker, 2013). Additionally, most SMEs worldwide, including the United States, do not routinely and formally report on CSR, making the application of traditional CSR

assessment techniques difficult (Baumann-Pauly, Wickert, Spence, & Scherer, n.d; Fassin, 2008). This study was intended to fill the knowledge gap in the CSR assessment literature regarding U.S. SME sectors, CSR, and financial performance.

Statement of Problem

The general management problem this study addressed was the significant decision-making challenges SME leaders face when engaging in CSR efforts given their relatively limited resources. Leaders of smaller firms are challenged to make the key decisions of the amount and allocation of resources for social investment (Sarbutts, 2003). The specific management problem addressed was determining for U.S. based SME firms whether the leadership decision of CSR investment approach is effective as represented by greater financial performance when operating in the service and manufacturing sectors.

In the United States, any firm from a sole-proprietor home office to a corporation may be referred to as an SME. Given that the CSR investments of SMEs have relatively less return on organizational performance (Udayasankar, 2008) and have a shorter time lag between CSR decisions and outcomes (Sarbutts, 2003) when compared to larger firms, understanding whether specific CSR investments are positively associated with financial outcomes could assist SME leaders in their resource allocation decision making for their industry. Thus, this study was focused on the impact of CSR activity on financial performance and CSR decision making that lead to optimal CSR impact regardless of CSR motivations. A comparison of financial performance indicators of U.S. SMEs from the service and manufacturing industries engaged in CSR activities could create a better

understanding of the connection between business sectors, financial performance, and the selection of the ideal CSR approach that result in greater social consequence.

Purpose of the Study

The evaluation of CSR effectiveness has become a focus of both scholars and practitioners, given the increased importance of CSR to the local, national, and global communities (Arend, 2014). The purpose of this quantitative study was to improve the understanding of the relationship between business sectors and financial performance outcomes of U.S. SME firms that invest in social and environmental CSR. The independent variables were the extent of social CSR and environmental CSR conducted by manufacturing and service SMEs and the age of service and manufacturing SME firms. The dependent variable was financial performance. This study may expand the understanding of the relationship between CSR investment, SME business sectors, firm age, and financial performance for U.S.-based SME firms. To address the research gap, the financial performance variable in the form of the accounting measures degree of net profit and company sales was ascertained from manufacturing and service SME owner/managers using a questionnaire survey instrument. The extent of social and environmental CSR investment by these SMEs was assessed from SME leaders using the designated questionnaire survey instrument. Given the pervasiveness of SMEs around the world, their CSR motivations, and their economic vulnerability, a comparison of the relative effect of CSR investment on financial performance is an important endeavor (Stoian & Gilman, 2017; Udayasankar, 2008) that may lead to better triple-bottom-line management.

Research Questions and Hypotheses

I investigated whether the management decisions of U.S. SMEs involving social and environmental CSR are effective in their respective business sector. The study addressed the concerns regarding manufacturing SME performance evaluation outcomes relevant to their key stakeholders' perceptions of CSR activities (Li, Toppinen, & Lantta, 2016). The study also expands on Hou et al. (2016) meta-analysis involving the respective impact of social CSR and environmental CSR on financial performance across East Asian service and manufacturing sectors. Additionally, I explored the suggested inquires of other researchers like Lee and Jung (2016), Torugsa et al. (2013), and Srichatsuwan (2014) regarding the evaluation of the CSR-financial performance relationship across a variety of industries. I also addressed Inoue and Lee's (2011) reference to the need for further CSR-financial performance investigation involving the individual dimensions of CSR using multi-sector sampling and the temporal aspects within the CSR-financial performance relationship for a single sector. Accordingly, the research questions assessed the perceptions of SME management regarding their CSR investment decisions and financial performance.

RQ1: How does the financial performance of service SME firms compare to the financial performance of manufacturing SME firms when both invest in social CSR?

$H_1$1A: The average number of SMEs with improved financial performance is larger for service SME firms with a substantial extent of their CSR investment in local community programs than for manufacturing SME firms with a substantial extent of their CSR investment in local community programs.

$H_0$1A: The average number of SMEs with improved financial performance is not larger for service SME firms with a substantial extent of their CSR investment in local community programs than for manufacturing SME firms with a substantial extent of their CSR investment in local community programs.

$H_1$1B: The average number of SMEs with improved financial performance is larger for service SME firms with a substantial extent of their CSR investment in workplace programs than for manufacturing SME firms with a substantial extent of their CSR investment in workplace programs.

$H_0$1B: The average number of SMEs with improved financial performance is not larger for service SME firms with a substantial extent of their CSR investment in workplace programs than for manufacturing SME firms with a substantial extent of their CSR investment in workplace programs.

$H_1$1C: The average number of SMEs with improved financial performance is larger for service SME firms with a substantial extent of their CSR investment in customer programs than for manufacturing SME firms with a substantial extent of their CSR investment in customer programs.

$H_0$1C: The average number of SMEs with improved financial performance is not larger for service SME firms with a substantial extent of their CSR investment in customer programs than for manufacturing SME firms with a substantial extent of their CSR investment in customer programs.

RQ2: How does the financial performance of service SME firms compare to the financial performance of manufacturing SME firms when both invest in environmental CSR?

$H_1$2: The average number of SMEs with improved financial performance is larger for service SME firms with a substantial extent of their CSR investment in environmental programs than for manufacturing SME firms with a substantial extent of their CSR investment in environmental programs.

$H_0$2: The average number of SMEs with improved financial performance is not larger for service SME firms with a substantial extent of their CSR investment in environmental programs than for manufacturing SME firms with a substantial extent of their CSR investment in environmental programs.

RQ3: How does the financial performance of service SME firms compare to the financial performance of manufacturing SME firms when both invest in combined social and environmental CSR?

$H_1$3: The average number of SMEs with improved financial performance is larger for service SME firms with a substantial extent of their CSR investment in combined social and environmental programs than for manufacturing SME firms with a substantial extent of their CSR investment in combined social and environmental programs.

$H_0$3: The average number of SMEs with improved financial performance is not larger for service SME firms with a substantial extent of their CSR investment in combined social and environmental programs than for manufacturing SME firms with a

substantial extent of their CSR investment in combined social and environmental programs.

RQ4: How does the financial performance of older service SME firms compare to the financial performance of younger service SME firms when both invest in combined social and environmental CSR?

$H_1$4: The average number of service SMEs with improved financial performance is larger for older service SME firms with a substantial extent of their CSR investment in combined social and environmental programs than for younger service SME firms with a substantial extent of their CSR investment in combined social and environmental programs.

$H_0$4: The average number of service SMEs with improved financial performance is not larger for older service SME firms with a substantial extent of their CSR investment in combined social and environmental programs than for younger service SME firms with a substantial extent of their CSR investment in combined social and environmental programs.

RQ5: How does the financial performance of older manufacturing SME firms compare to the financial performance of younger manufacturing SME firms when both invest in combined social and environmental CSR?

$H_1$5: The average number of manufacturing SMEs with improved financial performance is larger for older manufacturing SME firms with a substantial extent of their CSR investment in combined social and environmental programs than for younger

manufacturing SME firms with a substantial extent of their CSR investment in combined social and environmental programs.

$H_0$5: The average number of manufacturing SMEs with improved financial performance is not larger for older manufacturing SME firms with a substantial extent of their CSR investment in combined social and environmental programs than for younger manufacturing SME firms with a substantial extent of their CSR investment in combined social and environmental programs.

Research Question 1 was intended to evaluate whether the average number of firms with improved financial performance over the past year was larger for U.S. service SMEs with a substantial extent of CSR investment in social programs than for U.S. manufacturing SMEs with a substantial extent of CSR investment in social programs. For this study, *improved financial performance* was defined as an average financial performance score of greater than 3.0 on a 5-point Likert scale, and *substantial* was defined as an average score of greater than 3.0 on a 5-point Likert scale. *Less than substantial* was defined as an average score of 3.0 or less on a 5-point Likert scale.

Research Question 2 assessed whether the average number of SME firms with improved financial performance was larger for service SMEs with a substantial extent of their CSR investment in environmental programs than for manufacturing SME firms with a substantial extent of their CSR investment in environmental programs. Research Question 3 was intended to evaluate whether the average number of firms with improved financial performance is larger for U.S. service SMEs with a substantial extent of CSR investment in a combination of social and environmental programs than for U.S.

manufacturing SMEs with a substantial extent of CSR investment in a combination of social and environmental programs.

Research Question 4 evaluated whether the average number of older U.S. service SME firms with improved financial performance is larger than the average number of younger U.S. service SMEs with improved financial performance when both invest a substantial extent of CSR resources in a combination of social and environmental programs. For this question the term *older* referred to SME firms in operation for greater than 5 years and *younger* referred to SME firms that have been in operation for 5 years or less. Research Question 5 was intended to evaluate whether the average number of U.S. manufacturing SMEs older than 5 years with improved financial performance is larger than the average number of U.S. manufacturing SMEs 5 years or younger with improved financial performance when both place a substantial extent of CSR resources in a combination of social and environmental programs.

Theoretical Framework of the Study

The theoretical foundation of this study included stakeholder and social capital theories. Stakeholder theory maintains that a company must strive for a balance between stakeholder claims and business interests, which serves as the foundation for the development of CSR practices (Freeman, 1984; Russo & Perrini, 2010). Stakeholder theory is also reported to be the primary motive for SMEs' involvement in CSR initiatives beyond regulatory requirements for sustainability and performance purposes (Perrini, 2006). Social capital theory is a more appropriate lens through which to

understand the relationship between CSR and SME than stakeholder theory (Perrini, 2006).

The existence of SMEs is dependent on continuous and extensive interaction with their social and economic environments (Spence, Schmidpeter, & Habisch, 2003). The elements of social capital, reputation, trust, legitimacy, norms, and network constitute the key drivers of CSR involvement for SME firms (Perrini, 2006; Putnam, 2000). Social CSR focuses on the health, safety, and overall well-being of stakeholders as well as the creation of formal socially related communication between the firm and stakeholders (Torugsa et al. 2013). Social CSR encompasses elements of social capital theory: networking, trust, and the establishment of norms. The study assumption was that service SME firms have a greater opportunity to engage in bonding and bridging social capital (Spence et al., 2003).

This study also assumed that SME firms functioning for a longer time period have had more opportunity to operationalize elements of social capital than SME firms functioning for a shorter time period. Based on the established positive association between CSR and financial performance (Hou et al., 2016), and on the elements of social capital, I expected that U.S. SMEs operating in the service industry are better able to realize improved financial performance than U.S. SMEs in the manufacturing industry when they invest substantially in social CSR. I also expected that older U.S. SMEs are better able to realize improved financial performance than younger U.S. SMEs when operating in the same industry. The concept map depicted in Figure 1 represents the

research model and conveyed the relationship between SME, CSR, firm age, moderator variables, and financial performance that were investigated.

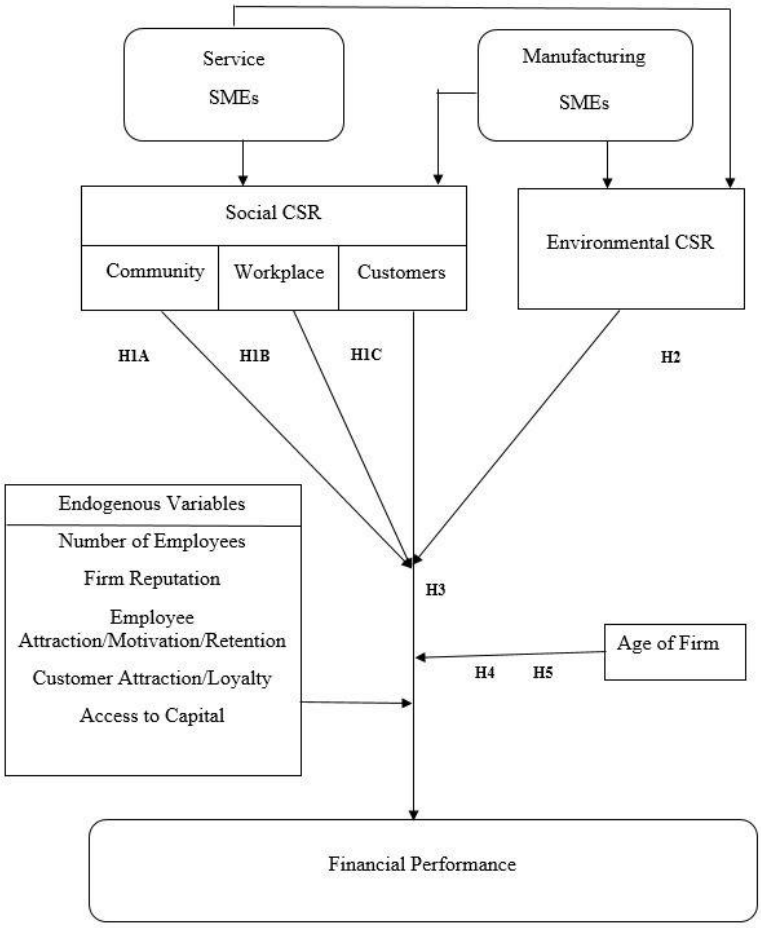

Figure 1. Research framework.

A comparison analysis to test the significance of differences between the financial outcomes of SMEs from different business environments with investments in social and environmental CSR was deemed most appropriate. This approach incorporated the elements of stakeholder perceptions as well as networking, trust, and sustainability to align the research problem with the research question, design, and method.

Nature of the Study

The nature of this research was quantitative using a comparison-of-means approach. Given that the research questions focused on the comparison of outcomes and the feasibility challenges associated with employing an experimental study design, I used a quantitative methodology, engaging a one-way between-subject ANOVA analytical design to test the significance of differences between sample groups. I also considered incorporating Chi-Square analyses to test the independence of variables. A comparison study encompasses the investigation of similar and different characteristics across multiple groups with parallel objectives (Goodrick, 2014). This quantitative approach provided rigor and generalizability to the study.

The independent variables were the management perceptions of the extent of service and manufacturing SMEs social and environmental CSR activities and firm age. I accessed the U.S. Small Business Administration database to identify service and manufacturing SME firms for participation in the study. With a nonprobability sampling method, I identified service SME firms and manufacturing SME firms that were expected to report the extent of their social and environmental CSR activities based on a 5-point Likert scale administered survey questionnaire. The identified SME firms were also

expected to report the years they have been in operation on the administered survey questionnaire. Nonprobability sampling allowed for practical consideration in conducting the study, focusing on the specific participant characteristics that were of interest to the study (Burkholder, Cox, & Crawford, 2016). The dependent variable was the financial performance of service and manufacturing SME firms based on impressions of net profit and sales. The intervening variables were the age of the firm, the firm's number of employees, employee attraction/motivation/retention, customer attraction/loyalty, the reputation of the firm, and the firm's access to capital.

I utilized a questionnaire adapted from the Sweeney (2009) survey instrument to collect data on SME leadership's perceptions on the attainment of financial performance, the type and extent of CSR activities, firm reputation, access to capital, age, the number of employees, and employee and customer tendencies. The theoretical basis for case selection included the Calabrese, Costa, and Rosati's (2015) feedback model for assessing CSR effectiveness and Perrini's (2006) social capital components of reputation, trust, legitimacy, norms, and network.

Definition of Terms

The U.S. has defined SME based on the North American Industry Classification System (NAICS) guidelines. The NAICS classifies SMEs that operate in the United States, Canada, and Mexico based on the number of employees, annual sales, assets, or a combination of any of these and can range from 500 employees or less for manufacturing sectors to 100 employees or less in wholesale trading sectors (Ward, 2017). The U.S. Small Business Administration outlines the small business size standards for each

industry (U.S. Small Business Administration, 2012). This study is intended to provide insight into CSR effectiveness for U.S.-based SME leadership in the service and manufacturing industries utilizing quantitative assessment techniques.

The definitions of service and manufacturing sectors are not in consensus. The lack of a clear definition of the terms service and service sector today could be due to the increased merging of related processes in production (Gryczka, 2016). Thus, classifying business sectors becomes increasingly difficult. In North America, the NAICS has established categories for sectors, including those related to agricultural, manufacturing, public, and service industries (NAICS, 2017). For this study, I employed the NAICS delineations of the service and manufacturing sectors.

The social and environmental dimensions of the CSR-sustainability concept referred to in this study as environmental CSR and social CSR respectively, have been described in the literature. Along with economic dimension, environment and social CSR comprise the multi-dimensional issue-based aspect of CSR, also termed triple bottom line (Nasrullah & Rahim, 2014). Additionally, as elements in an established model for evaluating CSR risk, social, environmental and governance (Szczanowicz & Saniuk, 2016) provide a means for categorizing CSR efforts that has application across SMEs of varying size and nature of activities. Social CSR includes activities that focus on community relations, workplace conditions, and customer-related concerns such as product quality and complaint procedures. Environmental CSR includes activities such as waste reduction, recycling, conservation, and pollution control. Governance refers to the operational aspects of a business such as litigation, supply chain, delivery timelines, and

portfolio investments. Governance will not be specifically addressed in this study. The social and environmental dimensions of CSR are vital in establishing a relationship between businesses and society (Hou et al., 2016).

Agriculture, forestry, fishing, and hunting sector: This sector consists of enterprises that are involved in the growing of crops, raising animals, the collecting lumber, and the gathering animals from farms and natural environments (NAICS, 2017).

Corporate social responsibility (CSR): The method by which a business attains economic, social, and environmental objectives while addressing the hopes of both shareholders and stakeholders (UNIDO, 2018).

Corporation: An entity that is legally recognized by its state of incorporation (Legal Information Institute, 2018).

Environmental CSR: The environmental dimension of CSR that includes waste reduction and recycling, sustainable packaging, energy efficiency, emissions, and leaks of hazardous materials (Szczanowicz & Saniuk, 2016).

External stakeholders: Entities that are affected by the financial well-being of a firm while existing outside of the boundaries of the firm, to include consumers, suppliers, regulators, community members, and investors (InvestorWorld, 2018).

Financial performance (Fp): The act of performing the business strategies and processes of a company, revealing how well a business has prospered under its management (Shodhganga, 2017).

Internal stakeholders: Entities within the boundaries of a business, including owners, the board of directors, investors, managers, and employees (InvestorWorld, 2018)

Manufacturing sector: Encompasses activities involving the physical, chemical, or mechanical conversion of materials components, or substances into new products (NAICS, 2017).

Mining, quarrying, and oil and gas extraction sector: Involves activities of the extraction of mineral solids, mineral liquids, and gases that exist naturally (NAICS, 2017).

Net profit: The realized surplus after the total costs are subtracted from the total revenue and after administrative expenses are paid (Richard, Devinney, Yip, & Johnson, 2009).

Return on assets (ROA): The earnings before interest and taxes reported as a percentage of the book value of total assets (Cox, Dayanandan, Donker, & Nofsinger, 2017).

Return on equity (ROE): The ratio of net income over shareholder equity book value (Richard et al., 2009).

Return on sales (ROS): The ratio of net profits to sales over a segment of time (Richard et al., 2009).

Sales: A company's revenue from the activity of selling products and services (Richard et al., 2009).

Service sector: Encompasses activities involved in wholesale trade, retail trade, information, financial and insurance, rental and real estate, professional services, technical and scientific services, educational services, management of companies and enterprises, administrative and support services, waste management and remediation services, healthcare and social assistance, arts, entertainment and recreation, accommodation and food services, and repair, religious, and other personal services (NAICS, 2017).

Small- and medium-sized enterprises (SME): Firms with 500 employees or less (Ward, 2017).

Social CSR: The social dimension of CSR that includes human rights, occupational rights, product integrity, local community relations, discrimination, and employee safety (Szczanowicz & Saniuk, 2016).

Social capital: Involves social networking and the interchanges that develop from them and their worth within the business environment (Sen & Cowley, 2013)

Stakeholder: Any entity on which an organization's survival is dependent (Sen & Cowley, 2013).

Assumptions

For this study, several assumptions were made. First, it was supposed that stakeholder and social capital theories were appropriate lenses through which to analyze the research problem despite the sole attention on management internal stakeholders. Consideration must be paid to the generalizability of the study results. Second, I assumed that CSR principles still applied despite the focus on the philanthropic and economic

dimensions and not the legal or ethical dimensions of CSR. This could also impact the generalizability of the study.

Third, I assumed that service sector SMEs have a more profound relationship with community-based external stakeholders than manufacturing sector SMEs, given the significance of bonding and bridging social-capital activities in the service sector (Spence et al., 2003). The fourth assumption was that the CSR and financial performance data obtained through surveying managers of SMEs is valid and appropriate for use in this study, even though CSR data are most frequently obtained from reputation indices such as MSCI Kinder Lydenberg Domini (Galant & Cadez, 2017). The fifth assumption was that solely employing questionnaire-based surveys is an adequate means of addressing my research question. The sixth was that the selected statistical analytical approach would adequately address the identified research problem. The last assumption made was that the exclusion of the agriculture, forestry, fishing and hunting sector SMEs and mining sector SMEs from this study would not invalidate the application of the theoretical approach of this study. This assumption was based on the relatively small representation of these sectors in the SME business arena (U.S. Small Business Administration, 2014).

Scope and Delimitations

The emphasis of this study was determining whether there was a significant difference in the financial performance among manufacturing SMEs and service SMEs when they engage in social and environmental CSR activities. Financial performance can be grouped into three wide-ranging sections: market-based, accounting-based, and

perceptual measurements (Galant & Cadez, 2017; Tsoutsoura, 2004). First, market-based measures, or shareholder returns, and specifically share prices, emphasize that investors are the primary determinate of a company's future. This measure does not apply easily to smaller SME firms that do not participate in stock markets. Second, direct accounting-based measures, which include sales, profits, ROA, ROS, and ROE, indicate a company's efficiency in utilizing money. These data are usually assessed by SME firms. Accounting-based indicators may not reflect the age and structure of assets of the various companies which influence these measures. Third, perceptual indicators, or respondents' perspectives on their firm's financial situation that are obtained via surveys, provide practical means of assessment of financial efficiency, financial goal attainment, and financial positioning. Questionnaire-based surveys are often employed when companies of interest are not rated by business rating entities or by valid analysis, or when there is insufficient representation in information databases. In this study, I considered financial performance as the measures of net profits and sales due to their ubiquitous use across business sectors. I also considered the use of questionnaires to assess SME management perceptions of these variables due to the challenges associated with acquiring financial performance information from market databases and company reports.

The measurement of CSR has similar encounters. CSR assessment includes reputation rating, company disclosures, observable outcomes and processes, and managerial values (Galant & Cadez, 2017). First, the reputation rating index like MSCI Kinder Lydenberg Domini, the most common measure of CSR, is publicly accessible and comprehensive. The private firms that compile these indices may have individual

agendas, cover a limited geographic area, and give aggregate scores. Second, social performance disclosures such as annual reports and releases to the public are amenable to content analysis via the use of codifying techniques. This measure is vulnerable to reporting inconsistencies and bias. Many SME firms do not report all the social activities that they undertake. The third CSR assessment technique, observable outcomes and processes, entails monitoring records such as pollution production. The scope of application of this method is broad and requires greater specification. The fourth method, managerial values, focuses on company ethics and philosophies. This study employed a questionnaire-based survey instrument to assess managerial philosophical approaches to CSR for service and manufacturing SME firms.

Limitations

There were several limitations to this study. First, the results of this study should not be generalized beyond the U.S. manufacturing and service SME business sectors. The U.S. agriculture, forestry, fishing, and hunting sector and the U.S. mining, quarrying, and oil and gas extraction sector were not addressed in this study. The implications of this study may be inaccurate if generalized beyond the U.S. geographical area. Second, the selection of a questionnaire-based survey could have introduced validity concerns due to responder biases. Studies indicate that more socially responsible firms have a greater likelihood of responding to survey participation requests than less responsible firms and that responders generally are likely to provide socially positive answers than factual outcomes (Galant & Cadez, 2017). A potential resolution is including data from various types of stakeholders, but this was not adopted in this study. Third, this investigation,

given the focus on objective outcome measures, sampled exclusively company leadership to assess financial and social performances. Although I deemed this approach appropriate for this study, it did introduce the question of the validity of results. Fourth, this study did not address the issue of distinguishing between long-term and short-term CSR-financial performance relationships. Fifth, this study did not address the impact of the level of the operationalization of CSR programs within each sampled firm. Finally, this study did not address the impact of the market capitalization of each company.

Significance of the Study

This research may fill the gap in the understanding of the relationship between the CSR social investment strategies and financial performance for U.S. SMEs. The results of this study can inform CSR strategists given the operational and financial limitations SMEs encounter relative to their larger counterparts. SME firms employ the majority of the world's workforce (Organisation for Economic Co-operation and Development, 2017). SME firms also experience close relationships with their respective communities and have considerable social capital invested (Perrini, 2006). Thus, the decisions small- and medium-sized business owners undertake that impact the sustainability of their company can have broad and profound consequences for the local communities in which they operate (Stoian & Gilman, 2017). I explored whether investments in social CSR produce positive outcomes in financial performance for both manufacturing and service U.S.-based SMEs, which may inform both SME leaders and CSR researchers involved in strategic decision making on the optimization of CSR investments for SME firms

operating in specific business environments. The results of the study may assist SME leaders in continuing to positively impact their communities.

Summary

In this chapter, I described the background of the study and the research problem, which was founded in and developed from the current literature. Shortages in previous research on CSR-financial performance-SME relationships were described, and reference made to the significance of this study to the SME management and CSR fields. I also presented the research questions with corresponding hypotheses so that they were justified with the purpose of the study. Additionally, I presented the concepts of U.S. SME business sectors relationship with CSR and financial performance grounded in social capital and stakeholder theoretical framework. I explained and justified the research variables along with the possible intervening factors that could impact the study outcomes, including the operationalization of CSR, market capitalization, and the age of SME firms. I described my assumptions and limitations of the study. In Chapter 2, I will present a review of the literature on the relationship between CSR and financial performance for U.S. SME firms.

Chapter 2: Literature Review

Introduction

Recent studies have indicated that corporate responsibility efforts are strongly aligned with the development of business sustainability. A common use of CSR is a company tool to engage stakeholder issues, and stakeholder theory plays a critical role in determining CSR strategies. In this study, I examined the challenge facing U.S. SMEs: the evaluation of their CSR processes. Further, this study addresses the difficult decisions SME leaders are confronted with when considering CSR optimization complicated by their relatively intimate relations with the communities in which they operate. For U. S. based service and manufacturing SME firms, the management problem investigated was the resolution of whether the social and environmental CSR investment decisions are effective in producing a greater financial performance. Given the lack of consensus on an appropriate method for the evaluation of CSR effectiveness and the unclear definition of CSR, it was deemed advantageous to review the most prevalent CSR concepts, including those linked to financial outcomes.

In this chapter, the foundations of stakeholder theory, social capital, CSR, and financial performance are presented, highlighting the various prevailing perceptions of their respective dimensions. Then a review of the literature that is relevant to the study of the CSR-financial performance-SME relationship and the methodologies employed is conveyed. I also discuss the dependent, independent, and endogenous variables in light of the CSR-financial performance connection. The last section is a summary of the subjects

in the review, including a discussion of the gaps identified and what actions are required to address them.

Literature Search Strategy

The foundation of this literature review stemmed from multiple sources. They included Academic and Business Search Primers, ProQuest Digital Dissertation, Walden University Dissertations, and Walden University Library databases. The detailed search strategy was based on advanced search options, employing Boolean operations on several subjects including *Stakeholder theory, Social Capital, CSR, SME,* and *financial performance*. Importance was placed on peer-reviewed articles of the last 5 years or more recent, online books that are relevant to the CSR and financial performance paradigms, and government documents and reports.

Theoretical Foundation of Corporate Social Responsibility

The social engagement efforts of businesses have a profound connection to stakeholder interests. Freeman's (1984) stakeholder theory upholds that businesses should endeavor to achieve a balance between their organizational interests and those of their stakeholders, serving as the underpinning for the development of CSR practices (Freeman, 1984; Russo & Perrini, 2010). Social capital theory also has importance with CSR, with application in the SME business sector (Perrini, 2006; Sen & Cowley, 2013). The literature continues to expand the theoretical understanding of CSR and its multidimensional concepts as it relates across the business landscape.

Stakeholder Theory

Stakeholder theory is the most employed theoretical framework for evaluating CSR and is the primary motive of business managers for CSR initiatives beyond regulatory requirements (Cantrell, Kyriazis, & Noble, 2015; Perrini, 2006). The term *stakeholder* was not defined prior to 1963 and has since been defined as individuals or sets of individuals who can affect an organization's objectives (Freeman, 1984). The core concept of the theory is that organizations are required to address stakeholder concerns while conducting business (Sen & Cowley, 2013). Researchers over the years have challenged the notion that organization are required to address stakeholder issues and have now emphasized the concept of a dutiful relationship towards stakeholders (Sweeney, 2009). The relative salience of multiple stakeholders drives the prioritization of CSR managerial attention and accompanying resources (Cantrell et al., 2015). Primary stakeholders include employees, customers, and suppliers, while secondary stakeholders are those who were not directly influencing the outcomes and overall survival of a business.

Although Freeman's (1984) original description of stakeholder theory did not specify levels of stakeholders, the theory remains a prominent component in CSR research as the moral and ethical rationale regardless of stakeholder level (Srichatsuwan, 2014). Stakeholder theory influences CSR strategies of firms and provides a lens through which to evaluate those strategies (Cantrell et al., 2015; Moura-Leite & Padgett, 2011). However, it may not be fully applicable for smaller firms (Perrini, 2006; Sen & Cowley, 2013).

Social Capital Theory

Social capital theoretical concepts have developed over time. The term *social capital* dates back to the early 1900s, with a broad reference not to the traditional connotations of the term *capital* but to the less tangible concept social networking (Bourdieu, 1986; Hanifan, 1916; Sen & Cowley, 2013). This early impression served as the inspiration for the seminal work of Coleman (1988) and Putnam (1993), which led to the development of the two prevailing theoretical models for social capital. In the first model, Coleman and Bourdieu suggested that social capital is not a single entity, is defined by its functions, and exists essentially in the structure of relationships between and among individuals. This concept contrasted with Putnam's model, which showed social capital as an attribute of communities. The current literature describes social capital as the available goodwill among individuals and groups, with effectiveness coming from the flow of information, influence, and camaraderie between actors (Adler & Kwon, 2002; Sen & Cowley, 2013). Putnam (2000) conveyed that the networking framework amid these groups of actors, fostered by social capital actors, is a determining factor in the groups' economic prosperity and competitiveness.

Social networking with stakeholders is a significant CSR tactic for SME firms (Russo & Perrini, 2010; Sen & Cowley, 2013). Social capital theory is more appropriate to understand the relationship between CSR and SME than stakeholder theory (Perrini, 2006). Thus, social capital can serve as the theoretical framework for the evaluation of CSR-SME relationships and supports SME management in developing CSR strategies, given the fundamental principles of social capital theory (Perrini, 2006).

Literature Review

Characterizations of Corporate Social Responsibility

The characterization of CSR has continued to evolve across the spectrum of social institutions. The traditional perception of CSR is that companies should conduct business with social interests in mind, despite the short-term risks to business outcomes (Agudo-Valiente, Garcés-Ayerbe, & Salvador-Figueras, 2015). The early literature characterized CSR as the commitment a company assumes to meet the standards established by society and governmental agencies (Cholette et al., 2014). Referring to the incorporation of social and environmental matters into strategic planning, the European Commission described CSR as the responsibility of companies for the impact they make on society. The ethical focus of CSR has diminished over time as corporate sustainability and corporate social performance gain prominence in defining CSR (Moura-Leite & Padgett, 2011).

Prior to the 1960s, limited discussion existed in the CSR arena beyond the philanthropic actions of companies. During the 1960s, the CSR literature expanded to incorporate the importance of CSR to financial outcomes of businesses. By the 1970s the work of Friedman (1970) indicated an emerging acceptance of the integration of free-market rubrics into CSR characterization. Many authors of the decade focused on CSR processes that were not counter to basic business interests. Friedman argued that social engagement was justified as long as it serves the firm in the long term. Carroll (1979) also recognized the necessity for a comprehensive characterization of CSR and developed a framework to understand the various concept of CSR. Carroll described CSR as the

social responsibility that businesses undertake involving economic, legal, ethical, and discretional expectations that society has of those businesses (Carroll, 1979). Eventually Carroll (1991) revised his characterization of CSR by replacing discretional expectations with philanthropic responsibilities while maintaining economic responsibilities as the fundamental element of CSR. Figure 2 depicts a representation of Carroll's CSR pyramid, which conveys the progression of CSR considerations (Srichatsuwan, 2014).

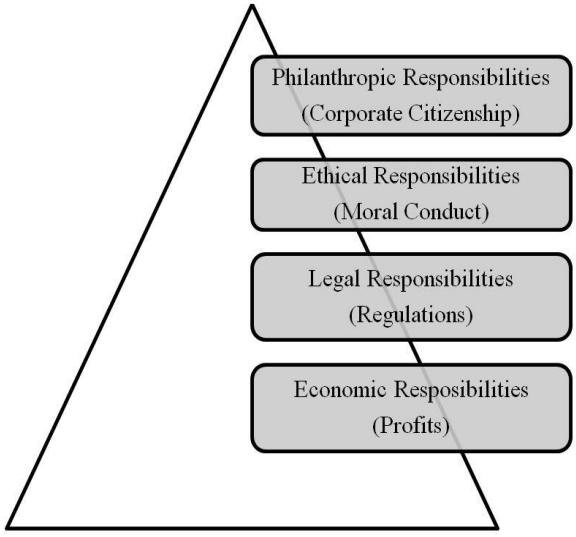

Figure 2. Corporate social responsibility pyramid. Adapted from Carroll (1991)

Presently, the most influential version of CSR is economically based (Calabrese et al., 2013). This assessment is evident in the overall themes of the current literature. Business sustainability interests (i.e., financial rewards) will continue to be the focus of CSR research and that there are important inquiries to be addressed, including how, why, and where CSR investments expand financial performance (Moura-Leite & Padgett, 2011).

Financial Performance

Characterization of financial performance. The characterization of financial performance has fewer challenges in the academic environment. The literature shows financial performance from two perspectives: accounting and market. Both accounting and market perspectives are well accepted economic measurement approaches of business performance. Researchers have determined that these measures are not statistically related and reflect two distinct dimensions of a firm's financial performance (Gentry & Shen, 2010). Market-based measures do not represent of a firm's fundamental value but rather the perceptions of stockholders, whereas accounting returns represent short-term, firm-specific profitability (Inoue & Lee, 2011; Richard et al., 2009).

Some researchers of financial performance have employed a combination of accounting and financial market measures attempting to balance the potential risks with operational performance topics. Mixed measures like balanced scorecards, cash flow per share, and Tobin's *Q* offer an account of intangible assets such as intellectual capital and human capital (Gunawan, 2007; Richard et al., 2009). Balanced scorecards, a multidimensional framework that is an indication of a firm's business strategy, and Tobin's *Q*, the ratio of a firm's assets market value to their replacement cost, are translations of measurable objectives (Gunawan, 2007; Richard et al., 2009). However, these mixed indices, as well as financial market measures, have limited utility related to SMEs because not all SME firms are listed on stock exchanges (Galant & Cadez, 2017). Researchers exploring the relationship between CSR and financial performance have used both or a combination of these forms of financial measures, which partially explains

the inconsistency of outcomes (Galant & Cadez, 2017; Gunawan, 2007; Richard et al., 2009)

Corporate Social Responsibility and Financial Performance Relationship

The CSR literature has reflected that economic outcome is associated with firms' level of social involvement, even when considering stakeholder concerns (Agudo-Valiente et al., 2015). Studies exploring the relationship between CSR and financial performance have revealed mixed results. Several researchers reported little to no association or a negative association between CSR and financial performance (Srichatsuwan, 2014; Tsoutsoura, 2004). For example, Inoue and Lee (2011) reported a positive effect of the employee relations and product quality elements of CSR on short-term profitability, but the community relations and environmental CSR elements had an insignificant effect. Brammer, Brooks, and Pavelin (2006) also concluded that composite social performance gauges, including environmental and community aspects, were negatively correlated to stock returns, and that the poor financial performance was attributed to good social performance.

Other scholars have supported a positive correlation between CSR and financial performance. Mikołajek-Gocejna (2016) performed an analysis of 53 empirical studies on the correlation between CSR and financial performance and found that 71.7% of the studies indicated a positive relationship. Additionally, Boaventura et al. (2012) conducted a meta-analysis of 58 empirical and quantitative articles describing the relationship between firms' social performance and their financial performance, and the main result was a positive association with the financial outcome when firms engage in social and

environmental-based CSR. This result expanded the findings of Orlitzky, Schmidt, and Rynes's (2003) meta-analysis, which reported an overall positive CSR-financial performance correlation, with moderation by the operationalization of both CSR and financial performance. Table 1 depicts a list of meta-analytical studies on the CSR-financial performance relationship. The literature suggested that with a positive effect of CSR on financial performance, at a minimum, firms can realize improved production efficiency and long-term wealth which benefits primary stakeholders (Galant & Cadez, 2017; Torugsa et al., 2012, 2013).

Table 1

Meta-analytical Studies on the Corporate Social Responsibility–Financial Performance Relationship

Authors (year)	No. of articles	CSR has positive relationship (%)	CSR has neutral relationship (%)	CSR has negative relationship (%)	CSR has mixed relationship (%)
Boaventura, J. M. G., Silva, R. S. D., & Bandeira-de-Mello, R. (2012)	58	55	22	11	12
Galant, A., & Cadez, S. (2017)	13	30.8	38.5	15.3	15.4
Gbadamosi, W. (2016)	30	70	3	10	17
Mikołajek-Gocejna, M. (2016)	53	71.7	15.1	5.7	7.5

Corporate Social Responsibility Measurement Methods

Several authors have suggested that the lack of agreement on the theoretical significance of CSR concepts has led to diverse CSR performance outcomes. The disparity in results may be attributed to the range of CSR performance measures employed by researchers (Galant & Cadez, 2017; Gbadamosi, 2016; Tsoutsoura, 2004).

Some researchers have argued that CSR measurement approaches should reflect stakeholder interests due to the stakeholder theoretical foundation and multidimensional construct of CSR (Boaventura et al., 2012; Gunawan, 2007). CSR reputation ratings, content analysis of CSR disclosures, and CSR questionnaire surveys are measurement strategies for assessing social performance.

Reputation ratings. The most common method of CSR performance measurements is reputation rating indices (Galant & Cadez, 2017). These indices characteristically recognize CSR's multidimensional constitution. The Kinder Lydenberg Domini reputation rating system is the most used and is considered a major index, developed to assess S&P 500 companies' multidimensional CSR attributes that are reflective of the perceptions of stakeholders such as employees, environmental, communities, and customers. Fortune Magazine Reputation, Dow Jones Sustainability, and Viego indices are similar major reputation measures that take into account national and geographic factors as well as the multidimensional aspects of CSR (Galant & Cadez, 2017). Advantages of reputation indices include facilitation of data collection efforts and company comparability. But there are weaknesses in this approach, including difficulty in verifying empirically the company information reported to the databases (Tsoutsoura, 2004). Reputation programs like Kinder Lydenberg Domini employ a combination of surveys and government reports determining CSR performance.

Content analysis. Numerous researchers have also employed company communication content analysis, which represents the second most common CSR measurement method, in their social performance investigations (Galant & Cadez, 2017;

Gbadamosi, 2016). Firms publish public reports that reflect their CSR philosophies and commitment to addressing social issues (Rieschick, 2017). Content analysis involves the identification, collection, and codification of CSR categories such as environmental, community involvement, employee relations, and equal opportunity from company disclosures (Gbadamosi, 2016). An early instance of content analysis was conducted by Abbott and Monsen (1979) in a study of Fortune 500 companies with the intent of developing a corporate social involvement disclosure scale. Modern examples include the work of Rahmawati and Dianita (2011) and Uwuigbe and Egbile (2012) in their investigations of the CSR-financial performance relationship in Indonesia and Nigeria respectively. Galant and Cadez (2017) argued that the content analysis process should be carefully conducted, given the susceptibility of the process to both researcher interpretation and company CSR reporting bias. They further posited that CSR reporting bias could be confronted, depending on the extent of the researcher's knowledge of subject firms' social activities. The validity of the content analysis measurement method and its practicality remain in question (Gbadamosi, 2016).

Questionnaire surveys. Questionnaire-based surveys are frequently employed when conducting investigations of companies with limited corporate reports or are not rated by reputation indices (Galant & Cadez, 2017). Surveys are administered to primary or secondary stakeholders, including company executives, for the collection of primary CSR data. One of the earliest surveys for CSR assessment was based on the four components of CSR developed by Carroll (1979). More recently, Rettab, Brik, and Mellahi (2009), Srichatsuwan (2014), and Sweeney (2009) administered to CSR

managers and stakeholders a questionnaire developed to study the relationship between CSR and financial performance. In another recent study, Gallardo-Vázquez and Sanchez-Hernandez (2014) designed a scale to assess the social, economic, and environmental dimensions of CSR and their relationship to corporate competitiveness. An essential disadvantage of the questionnaire survey measurement method is response bias. Response bias is represented when socially answerable companies are more responsive than socially irresponsible companies and when firms overrate their CSR activity levels (Galant & Cadez, 2017). Collecting additional data on the variables of interest from a variety of sources could aid in limiting the impact of response bias.

CSR researchers employing questionnaire surveys for assessment of CSR activities addressed response bias in various ways. In addition to the use of surveys, Sweeney (2009) and Fonseca and Ferro (2016) chose to employ semi-structured interviews of CSR program managers to obtain an independent assessment of the depth of CSR understanding. Sweeney remarked that interviews were more comprehensive than surveys and that the interview process was time-consuming and required several respondents to travel long distances. However, Brenner and DeLamater (2016) reported that interview approaches used to measure normative behavior exhibited a greater risk of overreporting response bias than self-administered surveys due to respondents' desire to project their ideal self to the interviewer. To further minimize the risk of possible respondent bias, Fonseca and Ferro collected a large sample over ten years. Turker (2009) solely employed questionnaires to measure CSR activities and addressed response bias via sampling a variety of respondents, including management, employees, and

external stakeholders. Rettab, Brik, and Mellahi (2009) and Srichatsuwan (2014) also exclusively employed questionnaires to measure CSR and financial performance variables yet did not specifically address the overrate response bias. Instead, Rettab et al. addressed non-response bias, where identified participants do not respond to initial survey participation requests, via repeat survey mailings. However, Srichatsuwan did not at all address response biases.

Additionally, CSR researchers employing questionnaire surveys conducted scale reliability and validity evaluations. Srichatsuwan did perform Cronbach's Alpha scale reliability analyses while Rettab et al. performed construct reliability, convergent, and discriminant validity analyses to validate their study scales. The flexibility and convenience that a questionnaire survey measurement approach affords researchers were the main factors in the selection of the option to assess CSR activity levels for this study. Also, the choice of a target population that included participants from all US States and territories across multiple industries and of various firm ages aimed to lessen respondent bias concerns.

Financial Performance Measurement Methods

Historically, measurement of business performance has been conducted using outcome-based financial processes (Gunawan, 2007). As was previously discussed, accounting and market methods dominate the financial performance literature. Accounting measurement methods garner the majority of research attention while financial market methods are less frequently encountered (Gbadamosi, 2016). As was noted in the previous section, researchers have also enlisted perceptual measurement

methods to estimate a firm's financial goal attainment, corporate assets optimization, and stability of financial position (Boaventura et al., 2012; Orlitzky et al., 2003). The selection of financial performance measurement approach and dependent variables representing financial performance must be carefully conducted given the temporal characteristics and subjective or objective nature of each respective measure (Richard et al., 2009).

Accounting measures. The literature revealed that researchers, employing accounting indicators to measure financial performance, utilize various financial evaluation ratios. A prominent accounting ratio is return-on-investment (ROI), widely considered the true measure of a business's bottom line (Gentry & Shen, 2010; Gunawan, 2007). More commonly referenced accounting ratios for evaluating financial performance are ROA, ROE, and ROS given that regulators frequently employ them (Brooks, 2014). Boaventura et al. (2012) informed that the most common financial performance measure in the research literature is ROA, followed by ROE, sales growth, return-on-sales, market shares, operational profits, and earnings-per-share. Brooks reported that ROE indicates how well a firm uses its shareholder equity to generate income, while ROA provides a dependable indication of how well a firm is investing its assets to produce income. Brooks (2014) and Gentry and Shen (2010) also maintained that ROA is a valuable ratio for comparing financial performance across multiple organizations. Galant and Cadez (2017) posited that a salient advantage of accounting measures is the availability of data while a considered drawback to the approach is the historical nature indicators and thus are sensitive to the choice of ratio. Other researchers asserted that accounting measures

are sensitive to firm-specific perceptions, including CSR activities, and represent short-term performance indications (Galant & Cadez, 2017; Gentry & Shen, 2010; Inoue & Lee, 2011; Richard et al., 2009; Tsoutsoura, 2004). The variety of indicators in empirical studies revealed that there is no single definition by which to evaluate financial performance, yet each indicator has been supported in the literature with detailed forms of measurement (Boaventura et al., 2012).

Market measures. Financial market-based measures such as stock prices and market-to-book ratios are widely employed reflectors of a firm's stock market strength (Gentry & Shen, 2010; Richard et al., 2009). Market-to-book is described as the ratio of a business's total market value over its total asset value. Researchers debated the merits of the approach, some arguing that financial market-based performance measures represent a firm's fundamental value that integrates all relevant data and thus is not limited to a lone aspect of a firm's performance as is the case with accounting measures (Gentry & Shen, 2010; Richard et al., 2009). Other researchers remarked that market-based measures are more sensitive to system-wide perceptions and are representative of future and long-term performance than accounting approaches (Galant & Cadez, 2017; Gentry & Shen, 2010; Inoue & Lee, 2011; Richard et al., 2009; Tsoutsoura, 2004).

Perceptual measures. Perceptive measurements have been used as performance research instruments for many years. Reimann (1975) employed a semantic differential questionnaire to evaluate public value scores for organizational performance. Ellinger, Ellinger, Yang, and Howton (2002) enlisted the Watkins and Marsick Dimensions of the Learning Organization Questionnaire, developed in the 1997 and encompassed financial

characteristics, to assess managerial perceptions on organizational practice behaviors. More recent examples of perceptual measures of financial performance include the works of Fonseca and Ferro (2016), Herrera Madueno, Larran, Martinez-Martinez, and Martinez Conesa (2016), Srichatsuwan, (2014), Sweeney (2009), and Choongo (2017), where the researchers used Likert scale questionnaire surveys in their investigations of CSR and financial performance relationships. Perceptual measures offer the advantage of a convenient means of assessing financial performance when indicators in company communiques are inconsistent (Galant & Cadez, 2017). Acknowledged disadvantages to utilizing solely perceptual measures are nonresponse bias and missing data or uncompleted surveys, which must be addressed (Ellinger et al., 2002).

Mixed measures. Several researchers have opted to employ a multiple measures approach to conducting correlative analyses of financial performance. BSC is the most popular multidimensional indicator of financial and operational performance that translates strategy into measures (Gunawan, 2007; Richard et al., 2009). The comprehensive measure includes both lagging and leading indicators of past and future performance. For SMEs, which typically do not have a market presence, BSC may not be appropriate for financial performance study. Tobin's *Q* ratio, the ratio of market value to total assets, and MVA, the ratio of market value-book value of equity and debt, represent other measures of combined financial indicators. Garcia-Castro, Ariño, and Canela (2010) selected four measures to define financial performance, ROA, ROE, Tobin's *Q* ratio, and MVA. Ellinger et al. (2002), in their examination of organizational learning and financial performance, elected the same four indicators in conjunction with a

questionnaire to assess financial performance. Rodgers, Choy, and Guiral (2013) chose a combination indicator, Zmijewski score, to serve as a proxy for a company's financial health. The Zmijewski score is constructed of profitability, liquidity, and leverage ratios, including ROA and Tobin's *Q* ratio. Galant and Cadez, (2017) commented that the recent trend it appears is towards the use of multiple measures for defining financial performance. It is worth noting that the context of the comment was not specifically SME firms.

Corporate Social Responsibility, Financial Performance, and Small- and Medium-Sized Enterprises

The current global business atmosphere is impacted by social and environmental issues. As with large firms, SMEs are compelled to address these issues to remain viable and competitive (Arend, 2014). Both SMEs and large corporations share similar concerns when strategizing about CSR initiatives, namely regulation, litigation, and cost avoidance (Sarbutts, 2003). The challenge for SME firms, which is less of an issue for larger firms, is the management of the threat immediacy of these three concerns. Large corporations possess the resources to optimize the cost versus benefit of CSR activities, unlike smaller companies with more limited means (Sarbutts, 2003).

Corporate Social Responsibility Issues for Small- and Medium-Sized Enterprises

Researchers have informed that CSR presents significant tests for SME leaders. Individual SME leadership independently determines the extent of CSR involvement in an ad hoc manner, with resources being the major constraint (Sen & Cowley, 2013). Some investigators suggested that the relatively smaller amount of resources and

tendency towards risk aversion drive SMEs to devote less effort to CSR notwithstanding the ethical and moral intentions of their owners (Perrini, 2006; Sarbutts, 2003; Srichatsuwan, 2014). Torugsa et al. (2013) conveyed that as a consequence of restricted financial and human capitals, some SME firms may only be able to partially assume proactive CSR activities or conduct limited social engagements in isolation despite the philanthropic motives of owners, pressures to expand social networking from employees, the community, and a competitive business environment. Researchers revealed that for SMEs, cultivating social relationships and growing brand loyalty through CSR activity is acutely important due to their reliance on interpersonal networking (Murillo & Lozano, 2006; Spence et al., 2003). It is precisely this personal networking that generates the trust necessary for SME business to conduct ethically responsible social programs while maintaining business sustainability and competitiveness (Murillo and Lozano, 2006; Torugsa et al., 2013). Sarbutts (2003) opined that SME owner/managers that have reservations about increasing investments in CSR due to financial risk could benefit from an examination of the CSR-financial performance relationship.

Financial Performance Issues for Small- and Medium-Sized Enterprises

A review of the literature on this topic indicated that the methods SME firms employ to manage and measure their financial performance are complicated depending on the business environment, practices, and management capabilities. Bahri, St-Pierre, and Sakka (2017) posited that firms today, particularly SMEs, are compelled to innovate, adjust strategies, and regularly review methods about performance monitoring due to a changing business atmosphere and the voluminous amount of information that must be

reported in their financial statements. Studies further indicated that SMEs encounter difficulty when implementing performance management and measurement systems owing to the absence of formalized organizational strategies and structures, human resource limitations, and financial constraints (Bahri et al., 2017). Garengo, Biazzo, and Bititci (2005) disclosed that SME owner-managers typically do not possess a full comprehension of their critical success factors needed to develop and design effective performance management and measurement strategies. These conditions are further complicated by the fact that existing models for performance management and measurement are designed primarily for large firms. The models include balanced scorecard, performance pyramid, and the formal Cambridge measurement process, which some investigators opined are not suitable for SME applications (Garengo et al., 2005; Garengo & Bititci, 2007). The implementation of financial performance management and measurement is crucial to businesses. These performance management implementation difficulties many SMEs face could impact employee learning, stakeholder communication, and reputation (Bahri et al., 2017). The apparent inconsistencies in SMEs' financial performance measurement and measurement practices highlight the difficulty in conducting empirical studies of financial performance of SME firms.

Corporate Social Responsibility and Financial Performance Variables

The literature indicated that CSR and financial performance variables have been common across empirical social research. The dimensions of CSR as variables appear predominantly in studies assessing social performance. Specifically, environment, employee (workforce), community, and customer indicators account for the majority of

social performance variables, distantly followed by supplier and shareholder (Boaventura et al., 2012). For this study, the environment, workforce, community, and customer CSR dimensions were selected as social performance variables, in keeping with recent CSR-financial performance-SME studies. The most prevalent variable used as a direct measure of financial performance in CSR-financial performance research is ROA, closely followed by ROE (Boaventura etal., 2012). Additionally, the literature revealed that studies employing perceptual measures such as questionnaire surveys to assess financial performance frequently include sales and profits as indicators. The works of Gbadamosi (2016), Herrera Madueno et al. (2016), and Sweeney (2009) are contemporary studies exemplifying this option for exploring CSR-financial performance-SME relationships. This study also incorporated this approach.

Small- and medium-enterprise firm age variable. The length of time each company has been in existence and the length of time their relationship with the local community have been investigated as variables in the context of the CSR-financial performance relationship in the past, albeit to a lesser extent in the Americas. Badulescu, Badulescu, Saveanu, and Hatos (2018) conveyed the accepted understanding that as firms advance in age, CSR involvement increases due to improved image, predictable income, and CSR formalization. Gbadamosi (2016) reported that the age of a firm as a variable has been controlled in recent CSR-financial performance studies yet is statistically significantly correlated. Several scholars have informed the existence of a positive statistically significant association between the involvement of SME firms in their communities and the age of the companies (Badulescu et al., 2018; European

Commission, 2002; Santos, 2011). Some researchers reported a positive relationship between SME firm age and some CSR activities such as voluntarism and philanthropic ventures yet found a statistically insignificant association between firm age and CSR sustainability issues, namely economic, environmental, and social elements (Trencansky & Tsaparlitis, 2014). The European Commission conveyed in its 2002 Observatory of European SME report that the percentage of SMEs' involvement in CSR increases greater than 10% as firms age beyond their fifth year. A review of the literature revealed that most inquiries into firm age and CSR have been conducted in Europe and involved larger corporations. An investigation of the association between US SME firm age, CSR, financial performance, and business sector may be beneficial to both scholars and practitioners in the context of social capital considerations.

Diversity of intervening variables. A review of the CSR-financial performance literature revealed that researchers' considerations of endogenous variables vary. A commonly measured and important control variable is firm size (Herrera Madueno et al., 2016). Early research indicated a significant correlation between CSR and firm size as measured by the number of employees (Gbadamosi, 2016; Sweeney, 2009). Some researchers defined firm size in terms of the log of total assets (Park & Lee, 2009; Tsoutsoura, 2004). Another frequently controlled variable in CSR-financial performance study is industry. Specifically, CSR impact on financial performance has been reported to vary across industry sectors and industry classification (Orlitzky et al., 2003; Park & Lee, 2009). Risk as a function of company debt is another variable often controlled in CSR-

financial performance studies. Many investigators have controlled leverage ratio (Debt/Asset) as a proxy for risk (Gbadamosi, 2016; Park & Lee, 2009; Tsoutsoura, 2004).

The levels of CSR and financial performance operationalization have also been commonly reported as control variables in the CSR literature due to their well-reported moderating effects on the CSR-financial performance relationship (Orlitzky et al., 2003; Szczanowicz & Saniuk, 2016). Wang, Dou, and Jia (2016) described CSR operationalization as encompassing CSR reputation, the firm's CSR reporting, CSR auditing, perceptions of CSR, and proxies of CSR such as philanthropy. Other researchers opted for measures of CSR operationalization such as customer attraction, employee motivation, access to capital (Srichatsuwan, 2014; Sweeney, 2009) and management preferences (Gbadamosi, 2016; Srichatsuwan, 2014). In the more recent studies of SME firms on the CSR-financial performance relationship, the researchers considered firm size, industry, reputation, customer attraction/loyalty, employee attraction/motivation/retention, access to capital and financial performance as research variables. These latter variables were selected for this study.

Gaps in the Current Literature

There continue to be gaps in the literature on the topic of the inter-relationship among financial, social, and environmental objectives in SMEs. First, there remain inconsistencies in the characterization of CSR, leading to the diversity of models and measures for investigating CSR relationships. The most prevalent measured variable of social performance was environmental, followed closely by employee, community, and customer, with supplier and shareholder garnering a relatively small segment. Boaventura

et al. (2012) opined that the lack of measurement standardization was a salient restriction of CSR empirical procedure. Second, the determination of control variables and intervening variables was varied over the spectrum of CSR-financial performance studies. Financial performance measures, including single, multiple, and consolidated indicators, are vastly varied across the literature, making the synthesis of generalizable models difficult (Srichatsuwan, 2014). Third, the literature continues to be underrepresented in CSR-financial performance studies of SME. Most CSR-financial performance investigations remain in the large-corporation business sector, representing an important gap (Perrini, 2006; Srichatsuwan, 2014). Fourth, there was inconsistency in theoretical framework application in CSR research. The prevailing theme applied in CSR studies continues to be stakeholder theory over shareholder theory (Perrini, 2006). More recently, the introduction of social capital, social welfare, premium competition, and institutional theories in conjunction with stakeholder theory, which could spur joint value creation (Bridoux & Stoelhorst, 2016; Hou et al., 2016; Tang & Tang, 2016), has formed a gap in the social performance literature that warrants further exploration. Fifth, there appears a significant gap in studies investigating the comparison of SMEs from differing sectors and the CSR-financial performance relationship. The work of Hou et al. (2016) represented the sole study encountered on this specific subject and served as an inspiration for this investigation. Sixth, the vast majority of CSR-financial performance empirical studies have been correlative and involved multiple regression versions of structural equation modeling (SEM) (Boaventura et al., 2012). Sixth, the literature was lacking in investigations involving the association between the length of time a SME

company has been in existence or the length of time their connection with the local community has existed and the CSR-financial performance relationship. Finally, the current literature was lacking in studies of CSR-financial performance-SME using data from the Americas. Most CSR-financial performance-SME studies encountered in this review have used European, Australian, and Asian data. This outcome is represented in Table 2. This deficiency of U.S SME investigation in the CSR-financial performance literature denoted another opportunity for further study.

Table 2

Geographic Regions of Reviewed Corporate Social Responsibility, Financial Performance, and Small- and Medium-Sized Enterprise Studies

Authors (year)	Geographic Region
Arend, R. J. (2014)	USA
Fonseca, L. M., & Ferro, R. L. (2016)	Portugal
Besser, T. L. (2012)	Europe
Choongo, P. (2017)	Zambia
El Baz, J., Laguir, I., & Marais, M., Stagliano, R. (2016)	France, Morocco
Garengo, P., Biazzo, S., & Bititci, U. (2005)	Europe
Garengo, P., & Bititci, U. (2007)	Scotland
Gunawan, G. (2007)	United Kingdom
Herrera Madueno, J., Larran J. M., Martinez-Martinez, D., Martinez Conesa, I. (2016)	Spain
Li, N., Toppinen, A., & Lantta, M. (2016)	China, Finland
Martínez-Martínez, D., Herrera Madueño, J., Larrán Jorge, M., Lechuga Sancho, M. P. (2017)	Spain
Park, B. I., & Ghauri, P. N. (2015)	Korea
Perrini, F. (2006)	Italy
Salanță, I., & Popa, M. (2014)	Romania
Sen, S., & Cowley, J. (2013)	Australia
Spence, L. J., Schmidpeter, R., & Habisch, A. (2003)	Germany, United Kingdom
Srichatsuwan, S. (2014)	USA
Stoian, C., & Gilman, M. (2017)	United Kingdom
Sweeney, L. (2009)	Ireland
Szczanowicz, J., & Saniuk, S. (2016)	Poland
Tang, Z., & Tang, J. (2016)	China
Torugsa, N. A., O'Donohue, W., & Hecker, R. (2013)	Australia

Filling the Identified Gaps in the Literature

This study was intended to fill the gaps in the current literature identified after an examination. The precise plan was to investigate the relationship between CSR investment decisions and financial performance of SMEs from two different business sectors through the lens of stakeholder and social capital theories. The strategy was to access U.S. Small Business Administration databases for SME identification. Further, the intent was to conduct the study using established variables for CSR and financial performance that account for the multidimensional characteristics of the CSR-financial performance relationship. I proposed to conduct the study analysis using a comparative-of-means approach, incorporating ANOVA and Chi-Square analyses to provide an alternative to the common correlative study design.

Summary

This chapter presented a literature review, which included the foundations of stakeholder theory contrasted with social capital theory as an alternative and more appropriate lens for SME CSR investigation. The core dimensions of CSR as defined by Carrol (1991) and the prevailing measures of financial performance were also presented. The relevant concepts of the CSR-financial performance-SME relationship and the relevant practices employed were conveyed. A discussion of the CSR, financial performance and Firm age variables, including controlling variables was conducted as they related to the CSR-financial performance linking. The literature review revealed important gaps, including inconsistencies in theoretical and measurement approaches in

CSR-financial performance research followed by a discussion of the plan to address them. In Chapter 3, the research method and design are addressed.

Chapter 3: Research Method

Introduction

The goal of this study was to determine for U.S.-based SME firms whether the decisions of leadership on CSR investment strategies are effective in producing a greater financial performance when operating in the service and manufacturing sectors. Quantitative methodology was employed with a comparative design to address the research questions and hypotheses. In this chapter, an account of the issues associated is presented with the selected methodology and design of this study. The chapter begins with a description of the research design and rationale of the study, followed by a description of the sample population, the method of sampling, study instrument, data collection process, research questions, hypotheses, and data analysis approach. The chapter ends with a discussion of how the statistical analysis were interpreted as well as a summary of the chapter.

Research Design and Rationale

Independent Variables

The independent variables were management perceptions of the extent of service and manufacturing SMEs social and environmental CSR activities and the age of SME firms. The specific social variables are the extents of community activities, workplace activities, and customer activities and are considered indicators of social CSR. Environmental CSR was measured as the extent of environmental activities. The variables were measured as the average of individual respondent scores on a 5-point Likert-scale questionnaire. The respective social and environmental continuous variables

are intended to be dichotomized to the categorical variables *substantial* and *less than substantial* extents to address the research questions. For this study, *substantial* was defined as an average score of greater than 3.0. *Less than substantial* was defined as an average score of 3.0 or less. The firm age variable was intended to be dichotomized to the categorical variables older and younger. The term *older* was defined for this study as SME firms in operation for greater than 5 years and *younger* was defined as SME firms that have been in operation for 5 years or less.

Social corporate social responsibility performance indicators. The social CSR indicator was defined as the arithmetic mean of the individual arithmetic means of the response scores of the community, workplace, and customer performance indicators. It is calculated with the following formula:

$$\{[(Q1+Q2+Q3)/3]+[(Q4+Q5+Q6+Q7)/4]+[(Q8+Q9)/2]\}/3$$

The distinct social CSR indicators are outlined in the following section.

Community performance indicator. Community performance was a measure of charitable activities in the local community. It includes the donations and community engagement projects of firms as well as staff member volunteerism on behalf of the firm. The community performance score was calculated as follows:

$$[Q1+Q2+Q3]/3$$

where Q*i* refers to the respective survey questions adapted from Sweeney (2009) CSR performance questionnaire.

Workplace performance indicator. The workplace performance indicator was a measure of a firm's treatment of employees. The indicator was the measure of the

commitment of firms to employee career development, anti-discrimination efforts, and employee health and safety. The score calculation was:

$$[Q4+Q5+Q6+Q7]/4$$

Customer performance indicator. Customer performance involves a measure of management perceptions of their firm's customer complaint resolution efforts and its commitment to creating value for customers. The calculation was as follows:

$$[Q8+Q9]/2$$

Environmental corporate social responsibility performance indicator. Environmental performance was assessed as a measure of the perceived level of waste reduction, energy conservation, and water consumption reduction efforts. The score was determined as:

$$[Q10+Q11+Q12]/3$$

Combined corporate social responsibility indicator. The combined CSR indicator was defined as the arithmetic mean of the social CSR and environmental CSR performance indicator scores. It was calculated in the following manner:

$$(\{[(Q1+Q2+Q3)/3]+[(Q4+Q5+Q6+Q7)/4]+[(Q8+Q9)/2]\}/3)+([Q10+Q11+Q12]/3)/2$$

Firm age indicator. The age of the identified SME firms was obtained from the company information section of the survey questionnaire as reported by SME owner/managers.

Dependent Variable

The dependent variable is financial performance. It was assessed as perceptions of SME owner/managers on the extent of net profits and sales improvement in 2017. This

continuous variable was measured as the arithmetic mean of scores on three financial performance indicator questions. The score was calculated as follows:

$$[Q13+Q14+Q15]/3$$

Intervening Variables

The intervening variables were employee attraction/motivation/retention, customer attraction/loyalty, firm reputation, and access to capital. The number of employees and age of the firm was be measured as categorical variables. The employee attraction/motivation/retention, customer attraction/loyalty, firm reputation, and access to capital indicators were also an average score on a 5-point scale and measured as continuous. These intervening variables were controlled.

Employee attraction, motivation, and retention. The measure of employee attraction, employee motivation, and employee retention has been conducted using surveys in at least two recent CSR-financial performance-SME studies—Sweeney (2009) and Srichatsuwan (2014)—and the merged variable was calculated as follows:

$$[Q16+Q17+Q18]/3$$

Customer attraction and loyalty. Customer attraction and loyalty as isolated variables have also been evaluated in previous studies and have been shown to have a relatively weak correlation to CSR-financial performance interactions (Sweeney, 2009). Consequently, the focus of the survey questions for this indicator was on the impact of CSR on customer attraction and loyalty. The indicator was calculated as:

$$[Q19+Q20+Q21+Q22]/4$$

Firm reputation. The firm reputation variable has been demonstrated to have a strong correlation in CSR-financial performance studies (Sweeney, 2009). The indicator was a measure of both social reputation and business reputation. Social reputation includes environmental and community responsibility, and business reputation encompasses peer perception of a firm within a business sector, long-term investment efforts, quality of products and services, and quality of management. The firm reputation indicator was calculated as:

$$[Q23+Q24+Q25+Q26+Q27+Q28]/6$$

Access to capital. The measure of a firm's access to capital was indicated by the perceptions of SME managers on the ease of obtaining financing from lending institutions and investors. The indicator is determined as follows:

$$[Q29+Q30]/2$$

A summary of the variables in the research model is depicted in Appendix A.

Additional Control Variable

An additional control variable for this study was the firm size (number of employees). Several topical CSR-financial performance investigations have controlled for the firm size variable in the form of total assets, sales, and audit fees (Gbadamosi, 2016). This variable was directly obtained from respondents through the administered questionnaire survey.

Research Design and Connections to Research Questions

The nature of this research was quantitative. Consistent with this research method, a nonexperimental comparison-of-means design was employed, given that the research

question's focus on the comparison of outcomes. I engaged an ANOVA research design to evaluate the significance of differences between sample groups. A one-way between-subject ANOVA is a generality of the autonomous sample *t* test (Warner, 2013). An ANOVA was deemed an appropriate analytical approach for this study given that it is frequently used in research where investigators intend to conduct a comparison of means on a quantitative outcome variable across two or more groups (Warner, 2013). In ANOVA, the independent variables are categorical and dependent variable measured on at least approximately an interval/ratio level. One-way ANOVA tests the null hypothesis that the means (μ) of *k* populations constituting groups are equal:

$$H_0: \mu_1 = \mu_2 = \mu_3 = \ldots\ldots = \mu_k.$$

ANOVA assumes approximately equal variance across the groups and independent of observations within and between groups. I proposed to conduct Chi-square analyses to assess the independence of nominal variables. Chi-square requires no assumptions about the sample distribution but does assume random sampling (Frankfort-Nachmias & Leon-Guerrero, 2015). Limitations of Chi-square analyses include the unknown ability to reject null hypotheses, risking type II errors, and the potential for a misleading good fit result between hypothesized models and observed data regardless of the adequacy of corresponding measures and theories (Fornell & Larcker, 1981). Notwithstanding, these concerns, the literature indicated that Chi-square tests are prevalent in CSR-financial performance research.

The research design was determined based on the constructed research questions. The respective research questions and their corresponding hypotheses represent inquiries

into comparisons of outcomes. As previously mentioned, a comparison study involves the examination of similar and dissimilar features across multiple sets with corresponding purposes (Goodrick, 2014). A comparison analysis employing an ANOVA study design to test the significance of differences between the financial outcomes of SMEs from different business environments with investments in social and environmental CSR was deemed to be most appropriate. This proposed design and research instrumentation accounted for the elements of the stakeholder theoretical construct as well as elements of social capital networking, namely trust, and sustainability, which aligned with the purpose and methodology of the study. The design also reflected the data collection limitations of database access, response time, and analytical approach. Also, the selection of a questionnaire-based survey has the potential for the introduction of response biases as discussed in Chapter 2 (Galant & Cadez, 2017).

Qualitative and mixed method approaches were deliberated. The literature revealed that qualitative studies were not the conventional method for addressing this CSR-financial performance relationship and was not deemed appropriate for this study. Also, due to the application complexities of mixed methods in financial performance-SME research, a mixed-methods approach was not considered for this study. Quantitative methodology and research design are the prevalent approaches in CSR-financial performance investigation and are instrumental in the advancement of the CSR field (Boaventura et al., 2012).

Target Population

The intended target population were the owner/managers of SME firms from the service and manufacturing sectors as defined by the NAICS. The service sector included firms involved in wholesale trade, retail trade, information, financial and insurance, rental and real estate, professional services, technical and scientific services, educational services, management of companies and enterprises, administrative and support services, waste management and remediation services, healthcare and social assistance, arts, entertainment and recreation, accommodation and food services, and repair, religious, and other personal services (NAICS, 2017). The manufacturing sector included firms involved in the physical, chemical, or mechanical conversion of materials components, or substances into new products (NAICS, 2017). The target population from each sector was approximately 2,500 with an expected response rate (number of responses/number of invites) for top executives and managers of 35% based on Anseel, Lievens, Schollaert, and Choragwicka's (2010) expected response-rate meta-analysis. This study employed an electronic version of a previously tested Sweeney (2009) questionnaire survey instrument and will be deployed along with an informed consent form via email.

Sampling, Sampling Procedures, and Threats to Validity

The sampling strategy was derived from similar CSR research. Consistent with studies employing questionnaire surveys to investigate CSR-financial performance relationship, I used a power analysis to evaluate the appropriateness of the study sample size. Several researchers engaged structural equation modeling in their correlative study analyses that required a minimum sample size to establish more precise estimates. Charan

and Biswas (2013) reported that for quantitative variables, sample size per group was calculated using the following formula:

$$\text{Sample size} = \frac{Z_{1-\alpha/2}{}^2 \, SD^2}{d^2}$$

where $Z_{1-\alpha/2}$ represented the standard normal variate, SD was the standard deviation of the variable, and d is the selected precision. These parameters were specified to calculate optimal sample size. The statistical significance, α, typically encountered in the reviewed empirical CSR-financial performance studies using 5-point Likert-scale surveys was 5% type I error (0.05). A conventional confidence level was 95% (standard normal variate = 1.96), with a typical SD for financial performance variables of 0.45 was also encountered in the analyses of CSR-financial performance data in the literature. For a study involving a comparison of independent group means, the following sample size formula was reported by Berkowitz (n.d):

$$\text{number of participants per group} = f(\alpha, \beta) \times \frac{2 \times SD^2}{d^2}$$

where $f(\alpha, \beta)$ is typically 7.85 or 10.5 for a power level of 0.8 or 0.9 respectively and an α of 0.05. The probability of committing a type II error (β) or failing to reject a null hypothesis when it is false, increases with smaller α and thus a certain degree of uncertainty must be accepted (Frankfort-Nachmias & Leon-Guerrero, 2015). Frankfort-Nachmias and Leon-Guerrero (2015) advised a sample size rule of thumb of not less than 50. The established understanding was that larger sample sizes result in smaller standard errors. Of the CSR-financial performance-SME studies reviewed, the usable sample size ranged from 54 to 194, with an average of 121. Given the expected survey return rate and

time constraints of this study, a conventional power level (1-β) of 0.8, an α of 0.05, and a meaningful difference of 0.2 were deemed reasonable for this study. The selection of these parameters reduces the potential for type I and type II errors and, thus, the threats to the validity of the study.

Data Collection and Analysis

After investigation the various research designs of recent CSR-financial performance studies as reported in Chapter 2 and considering the limitations of this study previously identified, a perceptual data collection approach using a questionnaire survey was selected. The collected data was be primary data. The survey was emailed to identified owner/managers with email contact information in the U.S. Small Business Administration manufacturing sector and service sector databases. The collected primary data was analyzed using IBM SPSS Statistics version 25. The hypotheses were expected to be tested using the comparison of means *t*-test, ANOVA and Chi-square options of the SPSS software.

Research Instrument

Specifically, the research instrument identified for this study was a questionnaire-based survey previously validated by Sweeney (2009). The questionnaire was designed to assess the sort, group, and extent of CSR involvement for SMEs and large firms. The instrument was peer-reviewed by academics familiar with the survey development process, pilot tested and refined. Sweeney conducted independent reliability and validity testing on the CSR scale, the results of which are depicted in Tables 3 and 4. The results of composite reliability (CR) and average variance extracted (AVE) for each CSR

dimension met or exceeded the respective recommended thresholds of 0.6 (0.7 benchmark) and 0.5 (Ferreira, Meregui, Mainenti, Vigário, & Neves, 2018; Sweeney, 2009). The CR option for the internal consistency evaluation of measures seems appropriate given that, unlike the Cronbach Alpha coefficient which assumes equal factor loading, CR accounts for the varying factor loadings of each item of the measure. The selection of AVE also was deemed appropriate as AVE is commonly used as a measure of convergent validity (Ferreira et al., 2018). For this study, an independent test of internal consistency using CR and convergent validity using AVE was selected.

Table 3

Reliability Results of Business Benefits

CSR Dimension	Composite Reliability	Average Variance Expected
Financial Performance	0.83	0.63
Employee Attraction/Motivation/Retention	0.91	0.77
Customer Attraction/Loyalty	0.90	0.76
Reputation (Social)	0.86	0.76
Reputation (Business)	0.90	0.62
Access to Capital	0.74	0.59

Note. Adapted from Sweeney (2009)

Table 4

Reliability Results of Corporate Social Responsibility Scale

CSR Dimension	Composite Reliability	Average Variance Expected
Environmental	0.85	0.65
Customer	0.67	0.50
Employee	0.80	0.51
Community	0.81	0.59

Note. Adapted from Sweeney (2009)

Summary

In this chapter, I stated the goal and direction of the study. I described the quantitative study design and justified the selection based on previous CSR-financial performance research and connection to the research questions. The study variables were explained, and their selection justified based on the research literature. The target population was defined with identification of the location, source, and how the sample will be drawn. The sampling strategy and procedures were identified and described, and the sample size determination procedure designated and justified. The chapter included a discussion of the potential threat to the validity of the study. The chapter also included explanations of the data collection method, data analytical approach, and instrumentation to be employed in the study. Finally, the data analysis method was described, and the variable entry procedure identified, including the SPSS analytical software version. This chapter served as the foundation for the dissertation data analysis results presented in Chapter 4.

Chapter 4: Results

Introduction

This study involved the investigation of the relationship between CSR efforts of U.S. SMEs in different business sectors and their financial performance. The purpose of this quantitative study was to improve the understanding of this relationship among service and manufacturing SME firms that conduct social and environmental CSR. I examined whether investments in social and/or environmental CSR produce positive outcomes in financial performance for both manufacturing and service SMEs operating in the United States. The intent was to inform CSR researchers and SME leadership concerned with the optimization and impact of CSR investments.

For this study, there were five research questions. Questions 1 and 2 involved the comparison of the financial performance of service and manufacturing SMEs when they both invest in social CSR and environmental CSR respectively. Question 3 focused on the relationship between the combined social and environmental CSR efforts of service and manufacturing SMEs and their respective financial performance. Questions 4 and 5 were addressed via SME management perceptions of their CSR investment decisions and financial performance as represented by the accounting measures of profits and sales.

Each research question required associated null and alternative hypotheses that were tested statistically. Hypotheses 1 was intended to evaluate whether the average number of firms with improved financial performance is larger for U.S. service SMEs than for U.S. manufacturing SMEs when they both invested substantially in the various dimensions of social CSR. Hypothesis 2 tested whether the average number of SMEs

firms with improved financial performance is larger for service firms than for manufacturing firms when both have invested to a substantial extent in environmental CSR programs. Hypothesis 3 assessed if the average number of firms with improved financial performance and that invest substantially in a combination of social and environmental CSR programs is larger for U.S. service SMEs than for U.S. manufacturing SMEs. Hypotheses 4 and 5 evaluated whether for the respective service and manufacturing sectors, the average number of SMEs with improved financial performance is larger for older SME firms than for younger SME firms when both invest in combined CSR programs. The outcomes of the statistical evaluations were controlled for firm size, firm reputation, employee retention/attraction/motivation, customer attraction/loyal, and access to capital. The results of these statistical analyses are presented in this chapter.

Organization of Chapter 4

This chapter is focused on the analysis, interpretation, and discussion of collected data. The chapter is organized into three sectors: (a) data collection, which includes a description of the timeframe of the collection process, how the collection process was conducted, descriptive statistics, univariate analyses, and other conditions specified in the approved data collection plan; (b) reports of results, including statistical analyses results of the reliability of scales, evaluation of statistical assumptions, results of statistical analyses, post-hoc analyses, and hypotheses testing; and (c) summary of results, which includes a summary of answers to research questions and a transition to Chapter 5.

Data Collection

Data Collection Timeframe

The data collection process began 2 days after IRB approval of the research proposal was granted. IRB approval No. 06-05-19-0598306 was given contingent on strict adherence to the specified data collection procedure in the research proposal. Once it began, the data collection continued for 6 weeks.

Collected Data Source

The source of data was the U.S. Small Business Administration Dynamic Small Business Search database., which provided access to the contact information, including e-mail addresses, of management representatives of over 64,700 manufacturing and service SME firms from all 50 states, the District of Columbia (DC), and U.S. territories. The e-mail information of a total of 2,500 manufacturing firms and 2,500 service firms were selected randomly sampled across each state, DC, and U.S. territories. The identified owner/managers of the selected SME firms were separately e-mailed the IRB approved study introduction letter containing a link to the Survey Monkey questionnaire and attached consent form. The survey response rate was 1.02%, though the expected response rate was approximately 35%. The reasons for the relatively low response rate are uncertain. Some e-mail responses were received requesting authentication of the research effort due to cyber security concerns. Additionally, several automatic out-of-office e-mail replies were received, as the survey was conducted during a summer month in North America. There were no other discrepancies in the data collection process relative to what was proposed for this study.

Sample Demographic Characteristics

The results of data collection yielded 51 responses. As was discussed in Chapter 3, the number of responses required to reduce the threats to the validity of the study was 19 to 79 per sector, depending on the sample size formula. A minimum total sample size of 50 was proposed. The collected sample consisted of 14 firms self-identified as solely manufacturers, 30 firms self-identified as solely service providers, six self-identified as both manufacturers and service providers, and one firm that did not identify its sector. For the purposes of this study, the six firms identifying as both manufacturing and service were assigned to the manufacturing sector due the design of the study. This brought the total firms in the manufacturing sector to 20.

The responding firms were also asked to report their primary type of operation and the number of employees as a further indication of the diversity of responding firms within each sector in the study to address potential effects of the response bias. The industry responses were classified into three general industry types: construction, engineering, and specialties. The NAICS (2017) described the three industry classifications as construction industry, which encompasses the building, maintaining, and repairing of structures; engineering industry involving the design, development, and processing of devices and components; and specialty industries including retail, hospitality, healthcare, consultation, and other services. The industry classification demographic characteristics of the sample are displayed in Table 5.

Table 5

Sample Demographic Characteristic: Industry Classification

Sector	*N*	Construction	Engineering	Specialties	Not indicated	Proportion
Manufacturing	20	0	11 (21.5%)	8 (15.7%)	1 (2%)	39.20%
Service	30	1 (2%)	0	22 (43.1%)	7 (13.7%)	58.80%
Not indicated	1	0	0	0	1 (2%)	2%
Total	51	1 (2%)	11 (21.5%)	30 (58.8%)	9 (17.7%)	100%

Sampling a variety of participants was done to lessen the potential risk of overrate response bias from socially responsible firms. The classification of industry was not a controlled factor in the study's research questions or hypotheses, so the respondents who did not indicate their industry type were not excluded from the study. However, the respondent who did not indicate its business sector was excluded from hypotheses testing.

The firm size demographic characteristics of the sample are depicted in Table 6. Most of the sample SME firms responding (60%) employed fewer than 10 workers. As was previously discussed, due to the positive impact on the dependent variable financial performance, the number of employees was controlled in this study. A more detailed descriptive statistical assessment of the sample was conducted.

Table 6

Sample Demographic Characteristics: Number of Employees

Sector	Number of employees						Proportion
	Less than 10	10-50	51-250	251-500	Greater than 500	Not indicated	
Manufacturing	9 (18%)	5 (10%)	5 (10%)	0	0	1 (2%)	40%
Service	21 (42%)	6 (12%)	3 (6%)	0	0	0	60%
Total	30 (60%)	11 (22%)	8 (16%)	0	0	1 (2%)	100%

Univariate Description of Study Variable Properties

The study variable indicators were calculated using SPSS version 25. The descriptive statistics of the resulting performance indicators are displayed in Table 7. For the continuous dependent variable financial performance indicator, the respondent with missing financial performance data was not factored into the determination of substantial financial performance for hypotheses testing. The calculated independent variable indicators— community performance (Scp), workplace performance (Swp), Customer performance (Scup), environmental performance (Ep), combined social CSR (CombSCSR), combined CSR (CombCSR), and the length of time the firm has been in operation (Firm Age)—were measured as continuous variables that were dichotomized for hypotheses testing. The calculated intervening (control) variable indicators—employee attraction/motivation/retention (EmpAMR), customer attraction/loyalty (CusAL), firm reputation (FRep), access to capital (AcCap), and the number of employees (Firm Size)—have been shown in several studies to influence financial performance. The effects of these covariates were isolated in this study to address the research questions and hypotheses.

Table 7

Descriptive Statistics for Study Variables

	Mean	*SD*	*N*
Scp	2.54	1.07	51
Swp	4.24	.69	51
Scup	4.71	.531	51
Ep	3.47	1.10	51
EmpAMR	3.56	.87	47
CusAL	3.40	.85	50
FRep	3.63	.72	50
CombCSR	3.74	.58	51
Fp	3.06	1.11	50
AcCAP	3.19	1.17	49
CombSCSR	3.83	.56	51
Firm size	1.56	.81	50
Firm age	4.40	.95	50

Results

Reliability and Validity of Scales

Given that the survey instrument employed to measure U.S. SME performance variables was originally developed and tested in Europe, an evaluation of the reliability analysis was warranted. CR and AVE were the initially proposed methods for independent internal consistency evaluation of scales used in this study. After performing a rotational factor analysis in SPSS of the community performance, workplace performance, customer performance, and environmental performance indicators, CR and AVE evaluations were not employed for scale reliability testing due to the low factor loading scores for each component. Preliminary evaluation of CR and AVE for component 1 resulted in only the environmental performance scale having output values above the normal thresholds for acceptability. Alternatively, a Cronbach's Alpha reliability evaluation of study scales was made.

Cronbach's Alpha reliability testing provides an indication of positive correlation between items in a scale (Warner, 2013). The test assumes that other characteristics of the data remain constant. The Cronbach's Alpha reliability evaluation was performed on the scales for CSR dimension and business dimension, which included the dependent and control variable measures. As was recommended by George and Mallery (2003) for most studies, Cronbach's Alpha coefficients of less than 0.5 were considered unacceptable, 0.6 were considered questionable, and 0.7 and above were considered acceptable for this study.

Corporate social responsibility dimension scale reliability. The results of CSR dimension scale evaluation, represented in Table 8, indicated that the standardized Cronbach's Alpha coefficient for the community performance and workplace performance scales were 0.6 and below respectively. For the customer performance scale with only two items in the scale, reliability could not be improved by removing poor items. Customer performance measurement was essential in addressing the purpose of this study, so despite the scale's questionable reliability, it was accepted for hypotheses testing.

Table 8

Reliability Results for Corporate Social Responsibility Dimensions

Corporate social responsibility dimension	Raw Cronbach's Alpha	Standardized Cronbach's Alpha
Community (Scp)	.77	.77
Workplace (Swp)	.55	.57
Customer (Scup)	.60	.64
Environment (Ep)	.82	.82

The item-total statistics of the workplace CSR performance indicator are displayed in Table 9. The Cronbach's Alpha coefficient of the workplace performance scale was improved slightly by removing item Swp3 (Q6: To what extent does your organization consult employees on important issues?).

Table 9

Workplace Performance Scale Item Total Statistics

	Scale mean if item deleted	Scale variance if item deleted	Corrected item total correlation	Squared multiple correlation	Cronbach's alpha if item deleted
Swp1	13.02	4.25	.351	.134	.467
Swp2	12.80	4.30	.307	.156	.506
Swp3	13.33	4.32	.251	.091	.561
Swp4	12.58	4.43	.483	.240	.388

Note. Swp = workplace performance

After reevaluation, the corrected workplace performance raw and standardized Cronbach's Alpha coefficients were 0.57 and 0.59 respectively for the remaining three items. The workplace CSR performance indicator, and all CSR indicators, was considered essential to the execution of this study. The workplace performance indicator after removal of the Swp3 item from the scale measures included

- To what extent does your organization encourage employees to develop real skills and long-term careers?
- To what extent does your organization ensure adequate steps are taken against all forms of discrimination?
- To what extent is your organization committed to the health and safety of employees?

Business dimension scale reliability. Table 10 displays the Cronbach's Alpha reliability test results for the business dimension scales. The access to capital and customer attraction/loyalty reliability scores were in the questionable and borderline acceptable range respectively. The access to capital scale had only two items and its reliable coefficient was not further improved. The item-total statistics for the customer attraction/loyalty scale are shown in Table 11.

Table 10

Reliability Results of Business Dimension Scales

Business dimension	Raw Cronbach's Alpha	Standardized Cronbach's Alpha
Financial performance (Fp)	.87	.87
Employee attraction/motivation/retention (EmpAMR)	.84	.85
Customer attraction/loyalty (CusAL)	.53	.50
Firm reputation (FRep)	.83	.83
Access to capital (AcCap)	.62	.62

Table 11

Customer Attraction/Loyalty Item Total Statistics

	Scale mean if item deleted	Scale variance if item deleted	Corrected item total correlation	Squared multiple correlation	Cronbach's alpha if item deleted
CusAL1	9.89	11.12	.03	.17	.63
CusAL2	11.15	7.20	.31	.10	.48
CusAL3	10.17	6.95	.39	.48	.39
CusAL4	9.87	6.52	.57	.46	.22

By removing items CusAL1 (Q19: Please indicate the impact of the CSR activities of your firm on customer loyalty) and CusAL2 (Q20: Please estimate the percentage of new sales in 2017 came about as a result of recommendations from your current customers), improved raw and standardized reliability scores of 0.71 and 0.71 respectively were realized for the remaining two items. The corrected customer attraction/loyalty measures were "Please estimate the percentage of sales in 2017 that normally were from repeat customers" and "Please estimate the percentage of current customers you would describe as loyal customers." The corrected customer attraction/loyalty indicator, CusALrev, was utilized in the evaluation of study hypotheses. The corrected descriptive statistics for the sample are presented in Table 12. For 50 of the respondents, the mean score of the 2017 financial performance indicator was 3.1, with a standard deviation of 1.1.

Table 12

Corrected Description Statistics for Study Variable Indicators

	N Valid	*N* Missing	Mean	*SD*	Min.	Max.
Scp	51	0	2.54	1.07	1.00	5.00
Swp rev	51	0	4.39	.72	1.00	5.00
Scup	51	0	4.71	.53	2.50	5.00
Ep	51	0	3.47	1.10	1.00	5.00
EmpAMR	47	4	3.56	.87	2.00	5.00
CusAL rev	50	1	3.67	1.22	1.00	5.00
FRep	50	1	3.63	.71	1.00	4.83
CombSCSR rev	51	0	3.88	.58	2.33	4.89
Fp	50	1	3.06	1.11	1.00	5.00
CombCSR rev	51	0	3.77	.59	2.00	4.75
AcCap	49	2	3.19	1.17	1.00	5.00
Firm size	50	1	1.56	.81	1.00	4.00
Firm age	50	1	4.40	.95	2.00	5.00

Data Analysis

In Chapter 3, an analysis of variance (ANOVA) was proposed to analyze the collected data. Since this study included multiple covariates to be controlled, an expanded version of ANOVA, specifically a two-way ANCOVA, was conducted. An ANCOVA considers the interface between two categorical independent variables on a continuous dependent variable after adjusting for one or multiple continuous covariates. SPSS version 25 was employed to perform the two-way ANCOVA including the required evaluation of the assumptions of the analysis.

Statistical assumptions evaluation. There were ten ANCOVA assumptions that required testing. The first four assumptions, one continuous dependent variable, two or more categorical independent variables, continuous covariates, and independent observations among groups were met for all study hypotheses. The remaining

assumptions: (a) linear relationship between covariates and dependent variable; (b) homogeneity of regression; (c) homoscedasticity; (d) homogeneity of variance; (e) no unusual points among independent groups; and (f) normal distribution of dependent variable were evaluated and organized along the themes of the hypotheses.

Evaluation of statistical assumptions for hypothesis 1A. The first hypothesis focused on the relationship between community CSR and financial performance of manufacturing and service sector SME firms. This hypothesis was based on the research question: How does the financial performance of service SME firms compare to the financial performance of manufacturing SME firms when both invest in social CSR? The focus, therefore, was on the effect of the degree of community program investment on financial performance for SMEs in the two sectors. In Chapter 3, the extent of community CSR performance (Scp) and the extent of financial performance (Fp) in 2017 were defined. For ANCOVA analysis, the Scp indicator was dichotomized to the categorical variable substantial community CSR performance (SubScp).

SubScp = (Scp greater than 3 = yes, Scp less than or equal to 3 = no)

Fp = (Q13+Q14+Q15)/3

The covariates were:

EmpAMR = (Q16+Q17+Q18)/3

CusALrev = (Q21+Q22)/2 [Revised based on CusAL scale reliability results]

FRep = (Q23+Q24+Q25+Q26+Q27+Q28)/6

AcCap = (Q29+Q30)/2

Firm Size = Number of Employees

The dependent variable and covariates were accounted for in all statistical assumption evaluations.

Linearity evaluation for H1A. The evaluation of the ANCOVA assumption of a linear relationship between the covariates and dependent variable for the different combinations of independent variable groups is represented in a grouped scatterplot. The simple scatterplots reflect both SME types in the sample groupings. As was suggested by Laerd Statistics (2018) a Loess fit method was used at 90%-point fit to aid in the determination of linearity. The Loess fit method was also employed for the remaining linearity tests in this study. Figure 3 and Figure 4 illustrate the scatterplots for the community CSR performance by financial performance by covariates for the sample. With smaller sample sizes per group, completely straight lines are not common (Laerd Statistics, 2018). Therefore, an overall trending straight line was deemed acceptable.

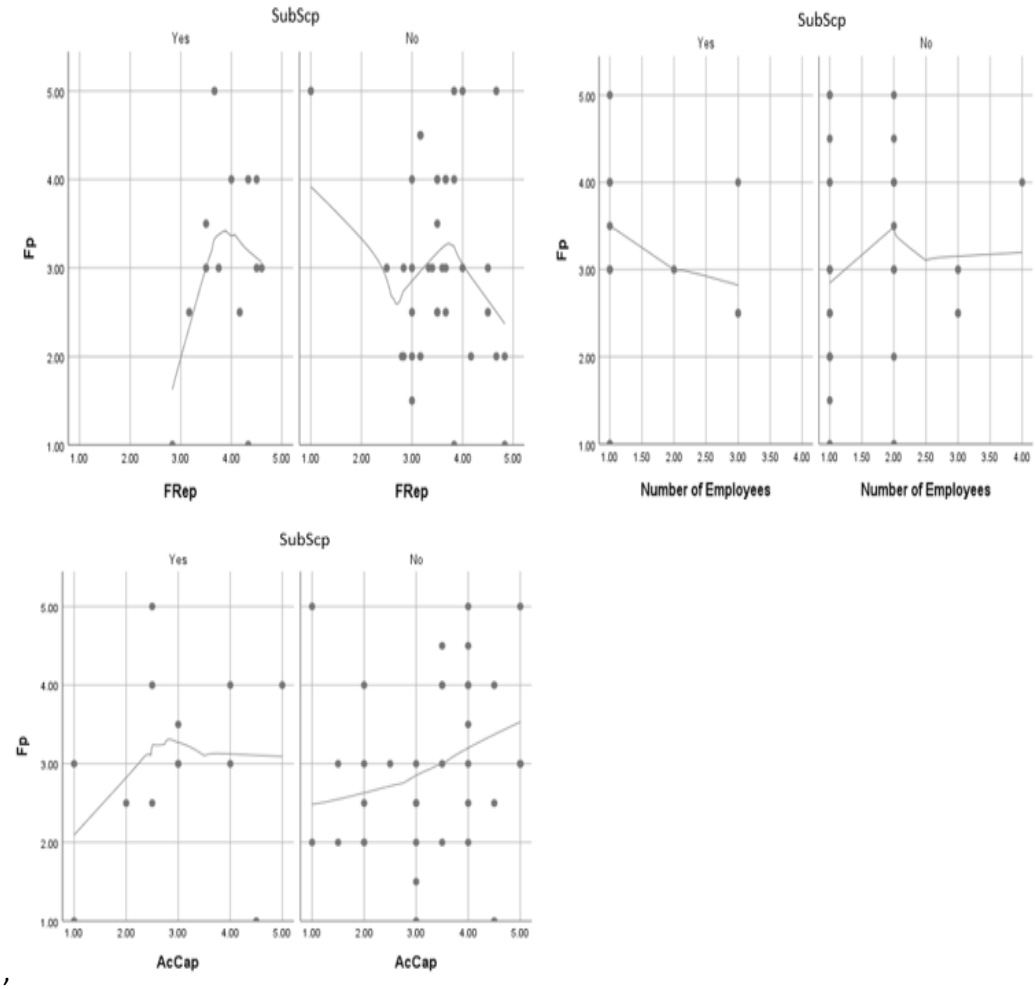

Figure 3. Simple scatterplots of SubScp by Fp by FRep, Firm Size, and AcCap.

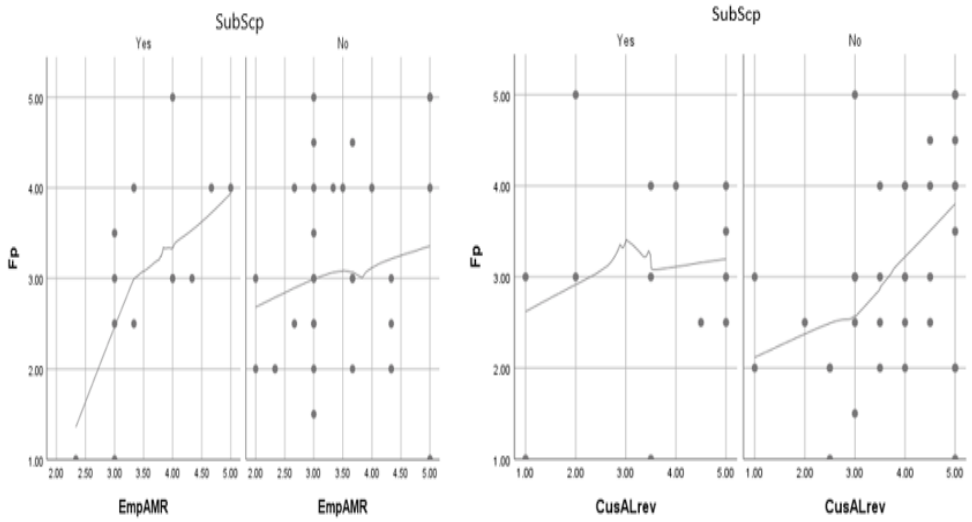

Figure 4. Simple scatterplots of SubScp by Fp by EmpAMR and CusALrev.

By visually inspecting the scatterplots, it was determined that linearity existed between substantial community CSR performance and financial performance for each intervening group. The linearity result for the firm reputation covariate was marginally acceptable.

Homogeneity of regression slopes evaluation for H1A. The evaluation of the assumption of homogeneity of regression slopes was conducted. Table 13 depicts the test of between subject effects results. A significance level *p* of greater than 0.05 is considered indicative of homogeneity. The results the test indicated that there was homogeneity of regression of slopes based on a comparison of the ANCOVA model with and without interaction terms, $F(2, 36) = 0.14$, and $p = 0.87$.

Table 13

Test of Between-Subjects Effects for Financial Performance and Substantial Community Corporate Social Responsibility Performance

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	13.85[a]	8	1.73	1.45	.21
Intercept	1.17	1	1.17	.98	.34
SubScpGroup	.38	1	.38	.32	.57
EmpAMR	5.25	1	5.25	4.41	.04
CusALrev	1.47	1	1.47	1.24	.27
FRep	2.29	1	2.29	1.93	.17
AcCap	.03	1	.03	.03	.87
NumEmp	.15	1	.15	.13	.72
SubScpGroup * EmpAMR * CusALrev * FRep * AcCap * NumEmp	.34	2	.17	.14	.87
Error	42.85	36	1.19		
Total	470.75	45			
Corrected Total	56.70	44			

a. R Squared = .244 (Adjusted R Squared = .076)
Dependent Variable: Fp

Homoscedasticity evaluation for H1A. The test of whether the variance of error is equal for all combinations of independent and covariate values is important in ANCOVA analyses. This evaluation of homoscedasticity was performed by employing SPSS to generate scatterplots of the studentized residuals against predicted values for each group combination and visually inspecting the results. Figure 5 depicts the scatterplots for the substantial community performance independent variable.

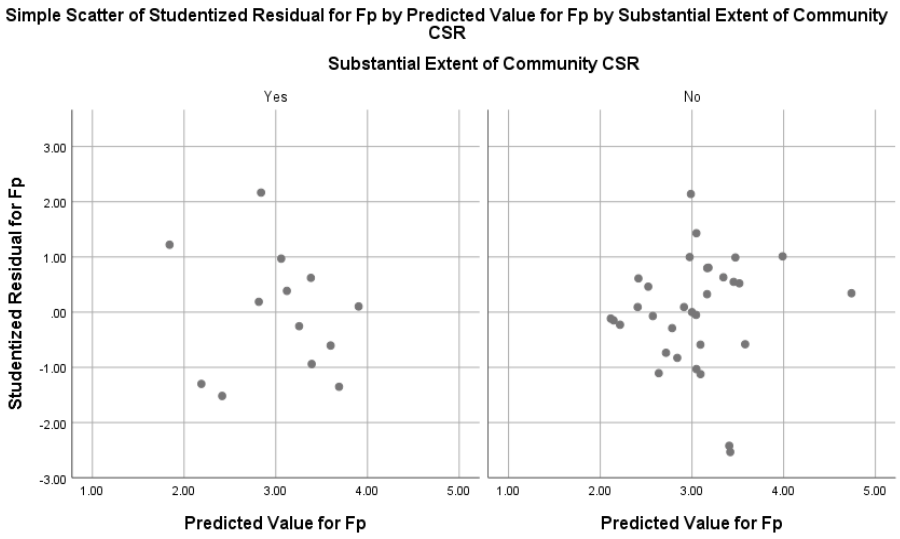

Figure 5. Scatterplot of Fp studentized residual by Fp predicted value for SubScp.

It was determined based on visual inspection of the scatterplots that homoscedasticity existed within each combination of the independent variable groups.

Homogeneity of variance evaluation for H1A. The test for the assumption of homogeneity of variance was determined by performing a Levene's test of equality of error variances. The Levene's test assessed the null hypothesis that the error variance of the dependent variable is equal across groups. A significance level of greater than 0.05 is considered an indication of homogeneity of variance (Laerd Statistics, 2018). There was homogeneity of variance as determined by Levene's test ($p = 0.56$)

Testing for unusual points for H1A. The existence of extremely small or large values (outliers) in the dependent variable scores in any combination of independent variable groups was assessed by evaluating the studentized values generated after univariate analysis in SPSS. Studentized values outside of +/-3 standard deviations were considered the measure for outlier assessment. An inspection of the studentized values

generated for financial performance, substantial community performance, and covariates found that there were no values above 3 standard deviations and no values below -3 standard deviations.

Excess leverage evaluation for H1A. SPSS was used to determine the existence of excess leverage in any cases. Leverage values, as a rule of thumb, below 0.2 are considered as safe for use in the study, between 0.2 and 0.5 as risky, and above 0.5 as dangerous. An inspection of the leverage values for this case revealed that there were none above 0.49.

Influential points evaluation for H1A. The determination of the existence of influential point was achieved by the evaluation of Cook's distance values generated in univariate analysis. Cook's distance values less than 1.0 are considered indicators of an acceptable influential points assessment. There were no Cook's distance values above 1.0.

Test of normality for H1A. An analysis of the financial performance distribution for normality was conducted. The test included Kolmogorov-Smirnov and Shapiro-Wilk evaluations. Significance levels greater than 0.05 were viewed as evidence of normality of distribution. Table 14 illustrates the results for Community CSR.

Table 14

Test of Normality of Financial Performance Distribution for Substantial Community Corporate Social Responsibility

		Kolmogorov-Smirnov[a]			Shapiro-Wilk		
Substantial Extent of Community CSR		Statistic	df	Sig.	Statistic	df	Sig.
Yes	Studentized Residual for Fp	.11	13	.200*	.96	13	.78
No	Studentized Residual for Fp	.11	32	.200*	.96	32	.26

*. This is a lower bound of the true significance.
a. Lilliefors Significance Correction

Note. The studentized residuals were normally distributed as assessed by Shapiro-Wilk test ($p > 0.05$).

Evaluation of statistical assumptions for hypothesis 1B. Hypothesis 1B focused on the relationship between workplace CSR and financial performance of manufacturing and service SMEs. This hypothesis was based on the same research question as Hypothesis 1A. This hypothesis focused on the effect of the degree of workplace CSR investment on financial performance for the two types of SMEs. The extent of workplace CSR performance indicator (Swp) was corrected as a result of scale reliability testing and dichotomized to the categorical variable substantial workplace CSR performance (SubSwprev) for ANCOVA analysis.

SubSwprev = (Swprev greater than 3 = yes, Swprev less than or equal to 3 = no)

Linearity Evaluation for H1B

The simple scatterplots for the substantial workplace CSR performance by financial performance by covariates for the sample are depicted in Figure 6 and Figure 7. As was the case with hypothesis 1A, the Loess fit method was used at 90%-point fit to assist in determining linearity.

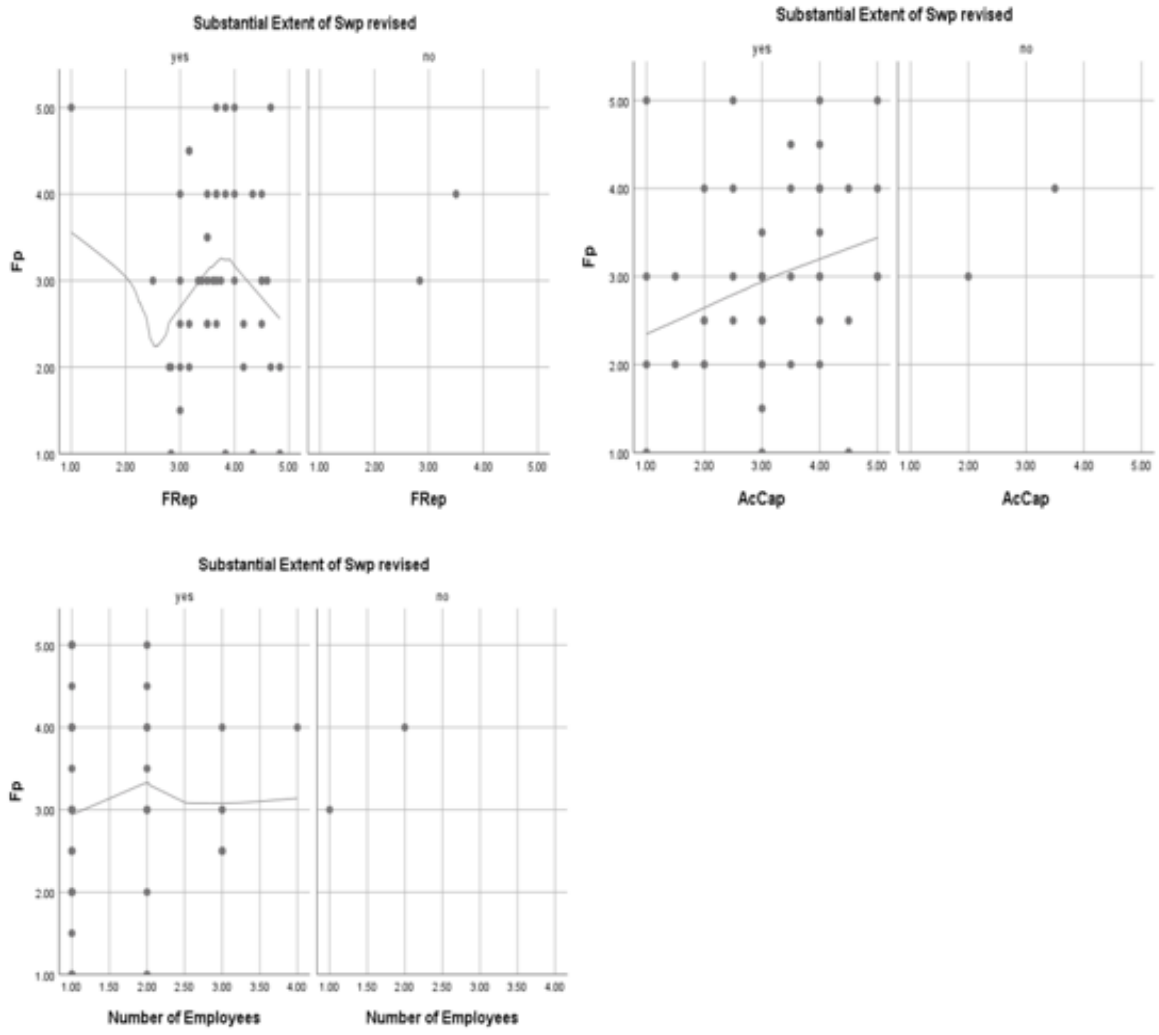

Figure 6. Simple scatterplots of SubSwprev by Fp by FRep, AcCap, and Firm Size.

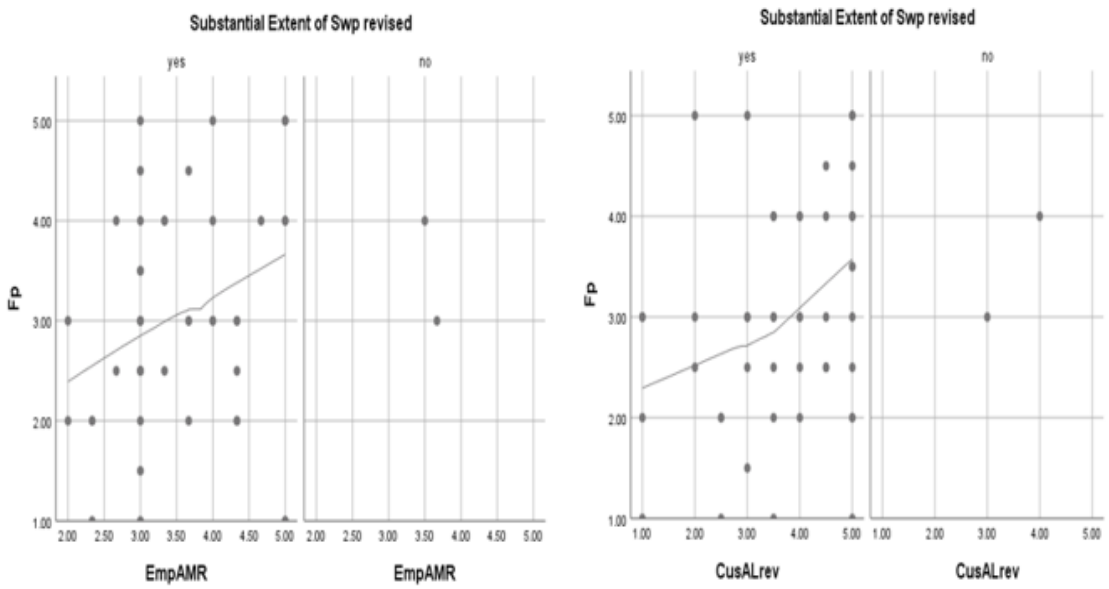

Figure 7. Simple scatterplots of SubSwprev by Fp by EmpAMR and CusALrev.

After a visual inspection the scatterplots, I concluded that linearity existed between the revised substantial workplace CSR performance and financial performance for the "yes" group. The firm reputation result was considered marginally acceptable. A determination of linearity was not made for the "no" group. The subjects in the "no" group were not included in the evaluation of the *H*1B hypotheses.

Homogeneity of Regression Slopes Evaluation for H1B. Table 15 depicts the test of between subject effects results for financial performance and workplace CSR performance. Again, $p > 0.05$ is suggestive of homogeneity. The results the test indicated that there was homogeneity of regression of slopes based on a comparison of the ANCOVA model with and without interaction terms, $F(3, 34) = 0.18$, and $p = 0.91$.

Table 15

Test of Between-Subjects Effects for Financial Performance and Substantial Workplace Corporate Social Responsibility Performance

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	14.56[a]	10	1.46	1.18	.34	.26
Intercept	1.08	1	1.08	.87	.36	.03
SubScp	.40	1	.40	.34	.58	.01
SubSwprev	.02	1	.02	.02	.90	.00
EmpAMR	5.20	1	5.20	4.19	.05	.11
CusALrev	1.38	1	1.38	1.11	.30	.03
FRep	2.21	1	2.21	1.78	.19	.05
AcCap	.03	1	.03	.03	.87	.00
NumEmp	.11	1	.11	.09	.77	.00
SubScp * SubSwprev * EmpAMR * CusALrev * FRep * AcCap * NumEmp	.67	3	.22	.18	.91	.02
Error	42.14	34	1.24			
Total	470.75	45				
Corrected Total	56.70	44				

a. R Squared = .257 (Adjusted R Squared = .038)

Dependent Variable: Fp

Homoscedasticity evaluation for H1B. Figure 8 depicts the scatterplots for the substantial workplace CSR performance revised independent variable. The generated scatterplots of the studentized residuals against predicted values for each group combination were visually inspected.

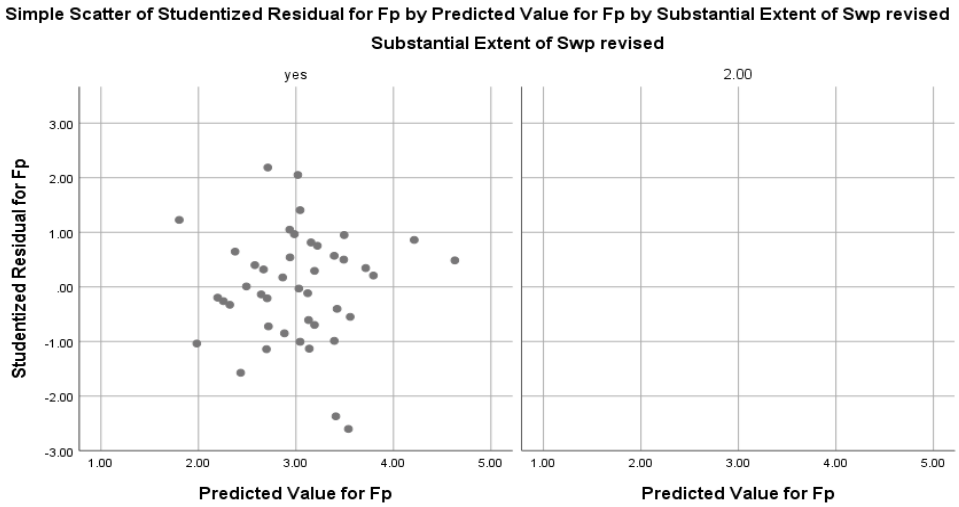

Figure 8. Scatterplot of Fp studentized residual by Fp predicted value for SubSwprev. There were insufficient scores to generate a studentized scatterplot for the substantial workplace CSR performance revised negative response group. It was concluded that homoscedasticity existed within the substantial workplace CSR performance revised group.

Homogeneity of variance evaluation for H1B. The test for homogeneity of variance was performed for substantial workplace CSR performance revised-financial performance-covariates. The assessment yielded a significance level of $p = 0.09$. The assumption of homogeneity of variance was met based on Levene's assessment.

Testing for unusual points for H1B. An examination of the studentized values for financial performance, substantial workplace CSR performance revised, and covariates found no values above 3 standard deviations and no values below -3 standard deviations. There were no unusual points for this combination.

Excess leverage evaluation for H1B. An inspection of the leverage values generated for the financial performance, substantial workplace CSR performance revised,

and covariates combination indicated that there were three values above 0.50. The three cases did not meet the substantial workplace CSR performance measure and were not included in the testing of this hypothesis.

Influential Points Evaluation forH1B

The Cook's distance values generated in univariate analysis were examined for the financial performance-substantial workplace CSR performance revised-covariates combination. There were no Cook's distance values above 1.0 and therefore there were no influential points for this situation.

Test of normality for H1B. The test of the financial performance distribution normality for workplace CSR performance was conducted. The Shapiro-Wilk test for normality yielded a significance level of $p = 0.74$. Therefore, the assumption of normality was met.

Evaluation of statistical assumptions for hypothesis 1C. Hypothesis 1C involved the relationship between customer CSR and financial performance for SMEs in the manufacturing and service sectors. The hypothesis was also founded on the same research question as Hypothesis 1A. The extent of customer CSR performance (Scup) was dichotomized to the categorical variable substantial customer CSR performance (SubScup).

SubScup = (Scup greater than 3 = yes, Scup less than or equal to 3 = no)

Linearity evaluation for H1C. The customer CSR performance by financial performance by covariates simple scatterplots for the sample are displayed in Figure 9 and Figure 10.

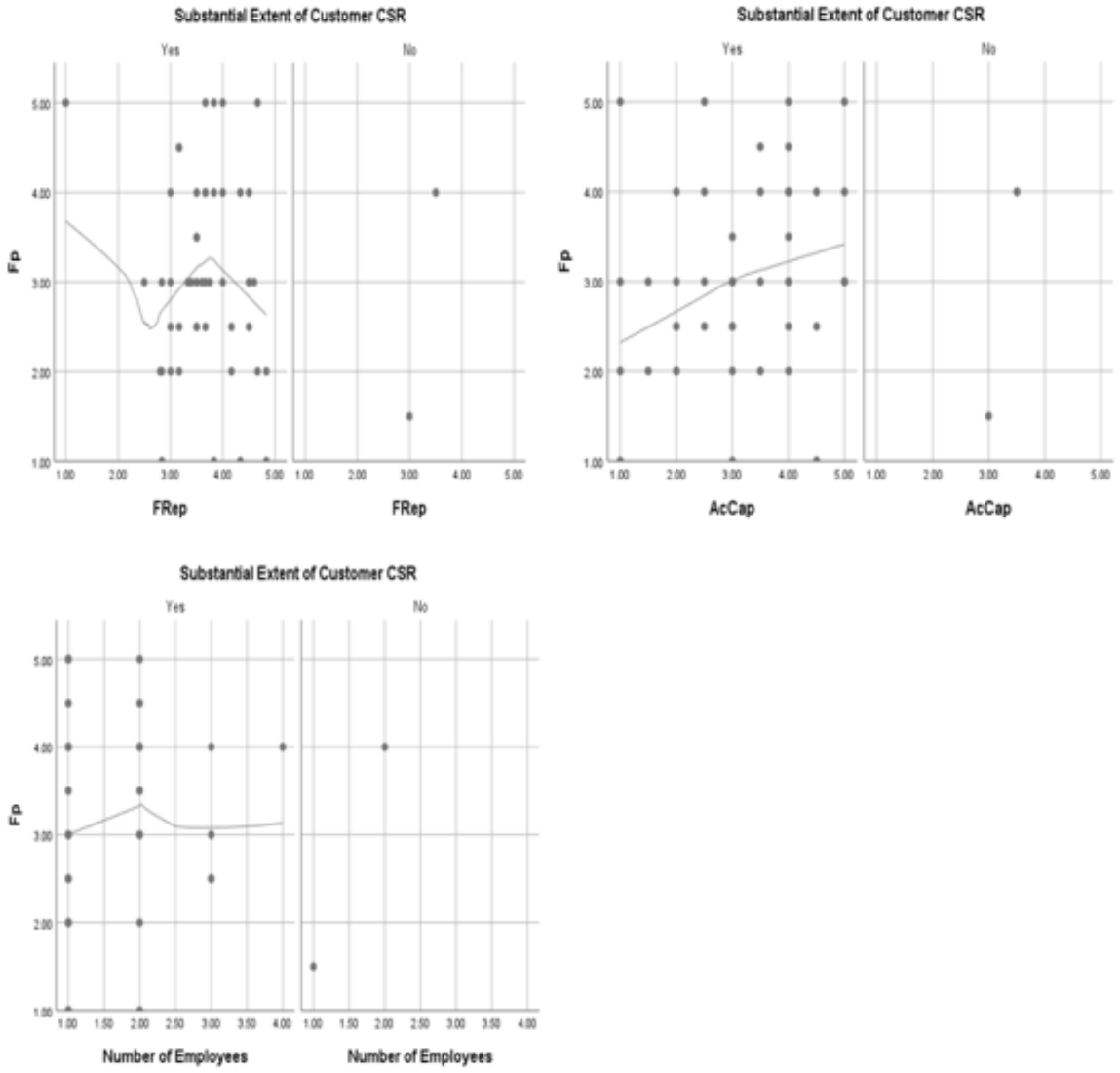

Figure 9. Simple scatterplots of SubScup by Fp by FRep, AcCap, and Firm Size.

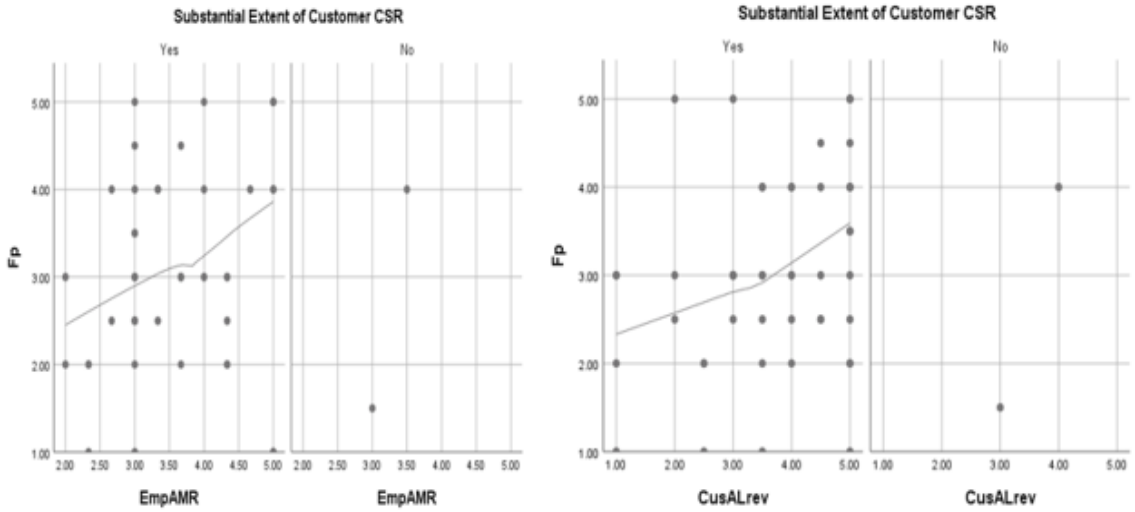

Figure 10. Simple scatterplots of SubScup by Fp by EmpAMR and CusALrev.

It was concluded after a visual inspection the simple scatterplots that linearity existed between substantial customer CSR performance and financial performance for each control group. The linearity test result for the firm reputation covariate was again considered marginally acceptable.

Homogeneity of regression slopes evaluation for H1C. Table 16 represents the test of between subject effects results for financial performance and customer CSR performance. The outcomes the test indicated that there was homogeneity of regression of slopes based on a comparison of the ANCOVA model with and without interaction terms, $F(2, 36) = 1.01$, and $p = 0.38$.

Table 16

Test of Between-Subjects Effects for Financial Performance and Customer Corporate Social Responsibility Performance and Covariates

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	15.57[a]	8	1.95	1.70	.13
Intercept	.58	1	.58	.51	.48
SubScupGroup	1.92	1	1.92	1.68	.20
EmpAMR	4.44	1	4.44	3.89	.06
CusALrev	1.02	1	1.02	.89	.35
FRep	2.60	1	2.60	2.28	.14
AcCap	.06	1	.06	.05	.83
NumEmp	.02	1	.02	.01	.91
SubScupGroup * EmpAMR * CusALrev * FRep * AcCap * NumEmp	2.30	2	1.15	1.01	.38
Error	41.13	36	1.14		
Total	470.75	45			
Corrected Total	56.70	44			

a. R Squared = .275 (Adjusted R Squared = .113)
Dependent Variable: Fp

Homoscedasticity evaluation for H1C. The scatterplots for the substantial customer CSR performance independent variable are depicted in Figure 11.

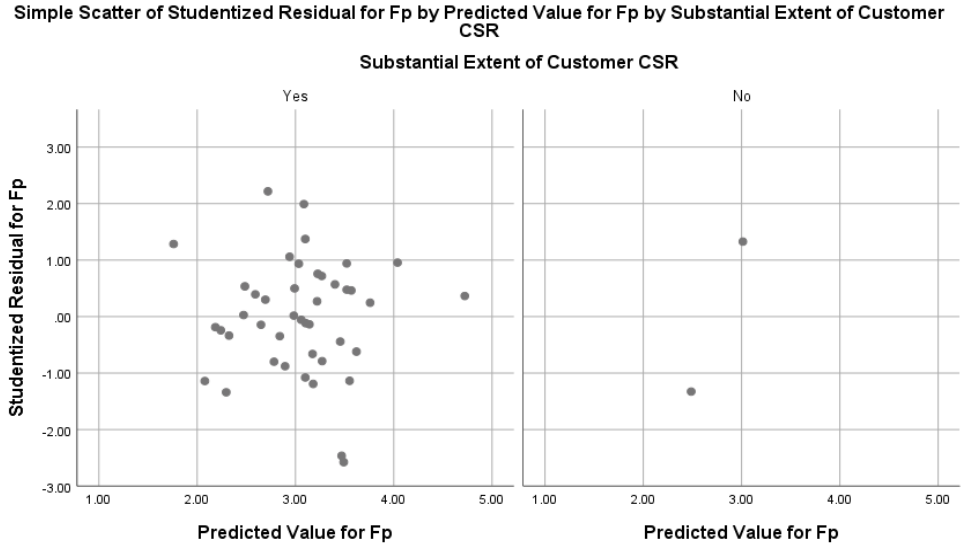

Figure 11. Scatterplot of Fp studentized residual by Fp predicted value for SubScup.

After visual inspection of the generated simple scatterplots of the studentized residuals against predicted values, it was concluded that there was homoscedasticity within each group of the independent variable.

Homogeneity of variance evaluation for H1C. The Levene's test of equality of error variances for the evaluation of homogeneity of variance was conducted for the customer CSR performance variable. There was homogeneity of variance as assessed by Levene's test which yielded a significance of $p = 0.62$.

Testing for unusual points for H1C. An investigation of the studentized values for financial performance, substantial customer CSR performance, and covariates found no values above 3 standard deviations and no values below -3 standard deviations. It was concluded that for this grouping there were no unusual points.

Excess leverage evaluation for H1C. An inspection of the leverage values generated for the financial performance, substantial customer CSR performance, and covariates grouping showed that two values were above 0.50. The two cases did not meet the substantial customer CSR performance measure and were not included in the testing of this hypothesis.

Influential points evaluation for H1C. The generated Cook's distance values were observed for the financial performance-substantial customer CSR performance-covariates grouping. There were no Cook's distance values in excess of 1.0. There were no influential points for this condition. The assumption of no influential points was met.

Test of normality for H1C. The test of financial performance distribution normality for Customer CSR performance was conducted. The results of the Shapiro-

Wilk test for normality indicated a significance level of $p = 0.62$. Therefore, the assumption of normality was met for this grouping.

Evaluation of statistical assumptions for hypothesis 2. The focus of this hypothesis was on the relationship between environmental CSR and financial performance of manufacturing and service SME firms. The hypothesis was based on the research question: How does the financial performance of service SME firms compare to the financial performance of manufacturing SME firms when both invest in environmental CSR? The extent of environmental CSR performance (Ep) was dichotomized to the categorical variable substantial environmental CSR performance (SubEp).

SubEp = (Ep greater than 3 = yes, Ep less than or equal to 3 = no)

Linearity evaluation for H2. The substantial environmental CSR performance by financial performance by covariates simple scatterplots for the sample are displayed in Figure 12 and Figure 13.

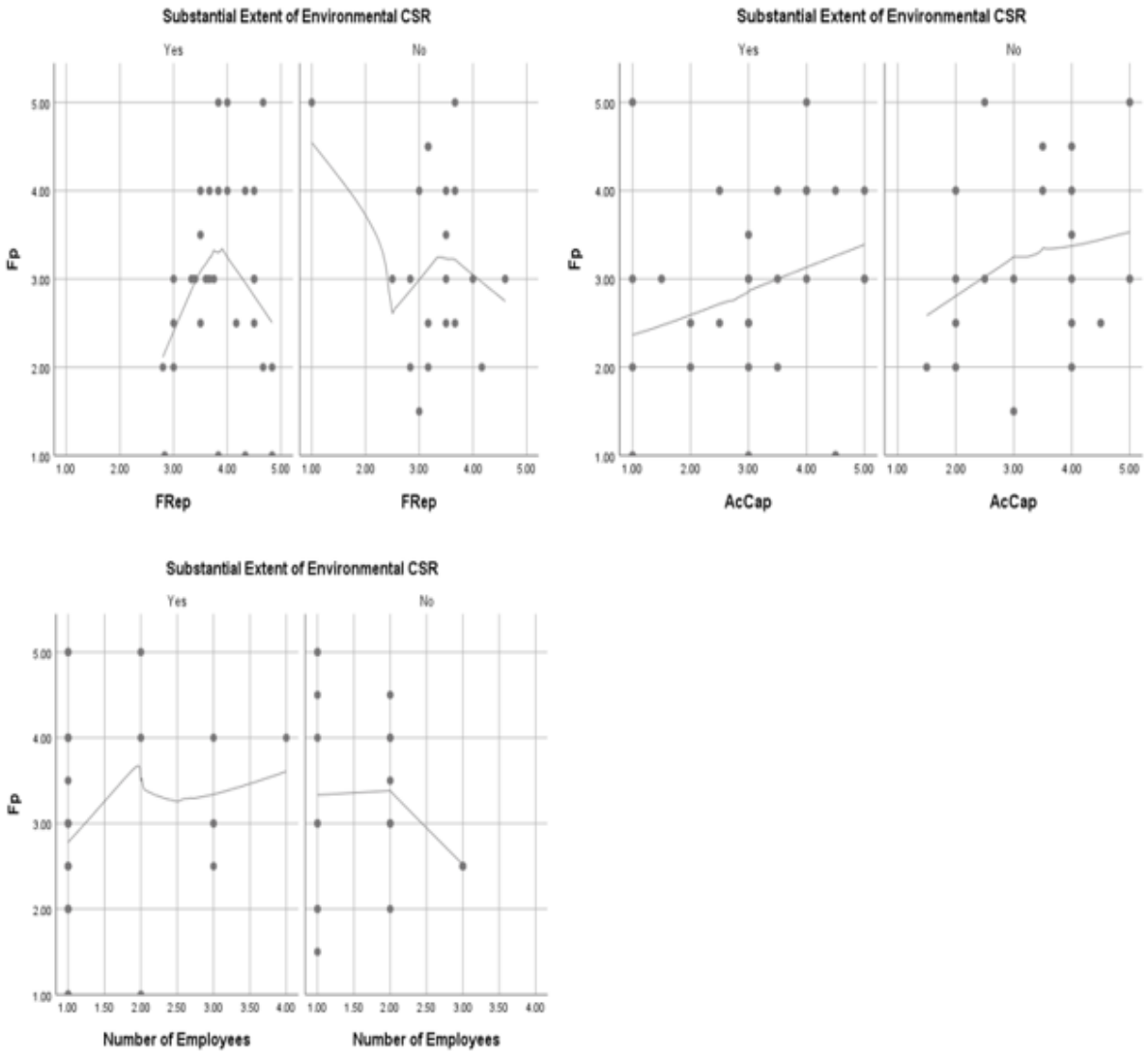

Figure 12. Simple scatterplots of SubEp by Fp by FRep, AcCap, and Firm Size.

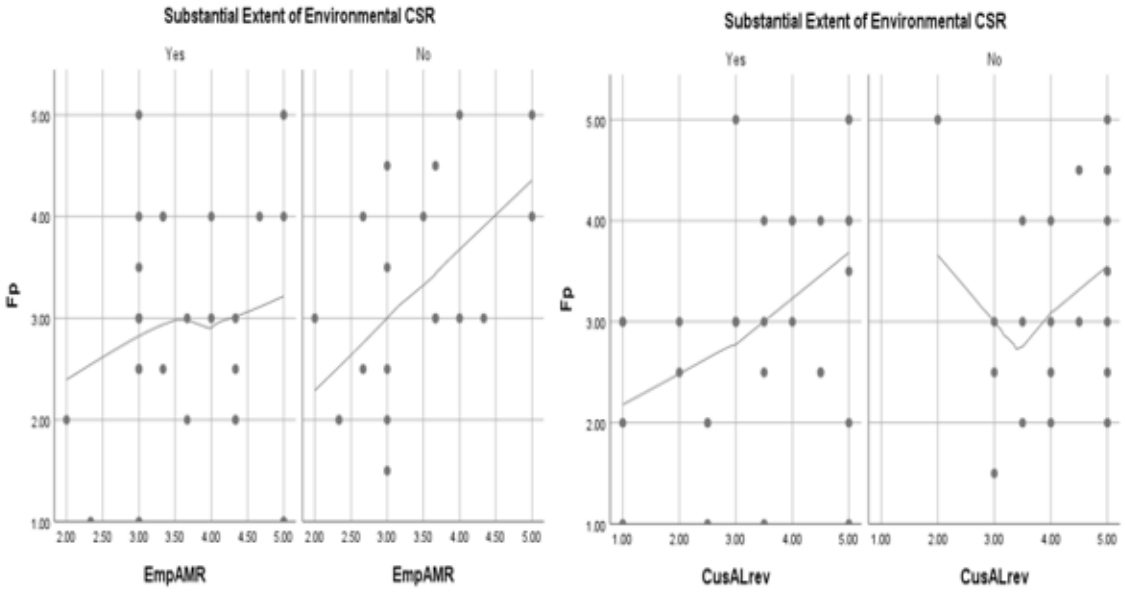

Figure 13. Simple scatterplots of SubEp by Fp by EmpAMR and CusALrev.

It was determined after a visual inspection the simple scatterplots that linearity existed between substantial environmental CSR performance and financial performance for each covariate.

Homogeneity of regression slopes evaluation for H2. Table 17 represents the test of between subject effects results for financial performance and environmental CSR performance. The outcomes the test indicated that there was homogeneity of regression of slopes based on a comparison of the ANCOVA model with and without interaction terms, $F(2, 36) = 0.30$, and $p = 0.74$.

Table 17

Test of Between-Subjects Effects for Financial Performance and Environmental Corporate Social Responsibility Performance and Covariates

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	14.40[a]	8	1.80	1.53	.18
Intercept	1.59	1	1.59	1.35	.25
SubEpGroup	.06	1	.06	.05	.82
EmpAMR	5.27	1	5.27	4.49	.04
CusALrev	.37	1	.37	.32	.58
FRep	1.77	1	1.76	1.50	.23
AcCap	.15	1	.15	.13	.72
NumEmp	.01	1	.01	.01	.95
SubEpGroup * EmpAMR * CusALrev * FRep * AcCap * NumEmp	.70	2	.35	.30	.74
Error	42.30	36	1.18		
Total	470.75	45			
Corrected Total	56.70	44			

a. R Squared = .254 (Adjusted R Squared = .088)
Dependent Variable: Fp

Homoscedasticity evaluation for H2. The scatterplots for the substantial environmental performance independent variable are depicted in Figure 14.

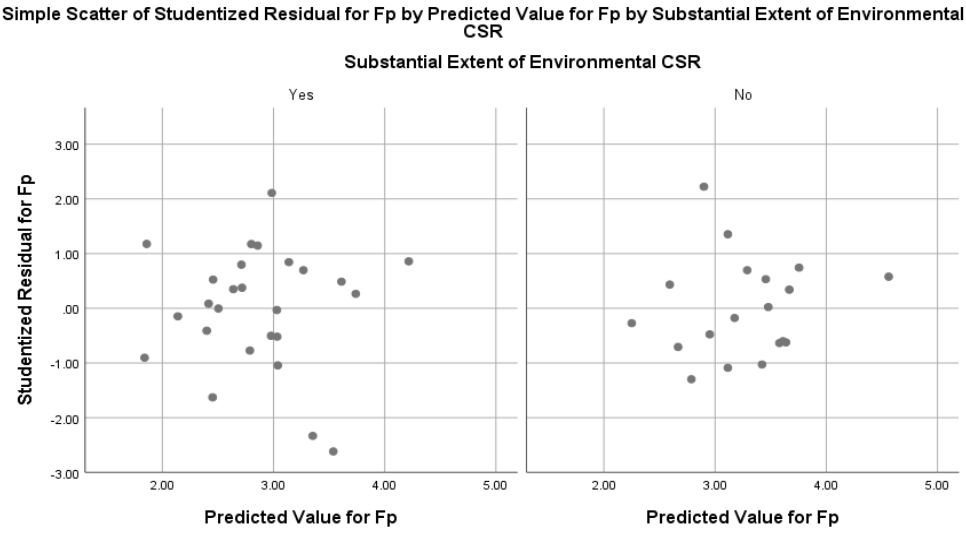

Figure 14. Scatterplot of Fp studentized residual by Fp predicted value for SubEp.

I concluded, after visual inspection of the generated simple scatterplots of the studentized residuals against predicted values, that there was homoscedasticity within each group of the independent variable.

Homogeneity of variance evaluation for H2. The Levene's test of equality of error variances for the evaluation of homogeneity of variance was conducted for the environmental CSR performance variable. The test yielded a significance level of p = 0.55. The assumption of homogeneity of variance was met.

Testing for unusual points for H2. An investigation of the studentized values for financial performance, substantial environmental CSR performance, and covariates found no values above 3 standard deviations and no values below -3 standard deviations. It was concluded that for this grouping there were no unusual points.

Excess leverage evaluation for H2. An inspection of the leverage values generated for the financial performance, substantial environmental CSR performance, and covariates grouping displayed that two values were above the 0.50 threshold. The two cases did not meet the substantial environmental CSR performance measure and were not included in the testing of this hypothesis.

Influential points evaluation for H2. The generated Cook's distance values were examined for the financial performance-substantial environmental CSR performance-covariates grouping. There were no Cook's distance values in excess of 1.0 and therefore the assumption of no influential points was met.

Test of normality for H2. The results of the test of financial performance distribution normality for substantial environmental CSR performance is displayed in Table 18.

Table 18

Test of Normality of Financial Performance Distribution for Substantial Environmental Corporate Social Responsibility

		Kolmogorov-Smirnov[a]			Shapiro-Wilk		
Substantial Extent of Environmental CSR		Statistic	df	Sig.	Statistic	df	Sig.
Yes	Studentized Residual for Fp	.10	26	.200*	.96	26	.34
No	Studentized Residual for Fp	.12	19	.200*	.95	19	.36

*. This is a lower bound of the true significance.
a. Lilliefors Significance Correction

The results of the Shapiro-Wilk test for normality indicated significance levels of $p > 0.05$. The assumption of normality was met.

Evaluation of assumptions for hypothesis 3. This hypothesis's emphasis was on the relationship between the combined CSR and financial performance of manufacturing and service SME firms. The hypothesis was based on the research question: how does the financial performance of service SME firms compare to the financial performance of manufacturing SME firms when both invest in combined social and environmental CSR? The substantial combined CSR indicator (SubCombCSR) was revised to reflect the inclusion of the corrected substantial workplace CSR performance indicator (SubSwprev). The substantial combined CSR performance revised (SubCombCSRrev) is defined as follows:

> SubCombCSRrev = (CombCSRrev greater than 3 = yes, CombCSRrev less than or equal to 3 = no)

Linearity evaluation for H3. The substantial combined CSR performance by financial performance by covariates simple scatterplots for the sample are displayed in Figure 15 and Figure 16.

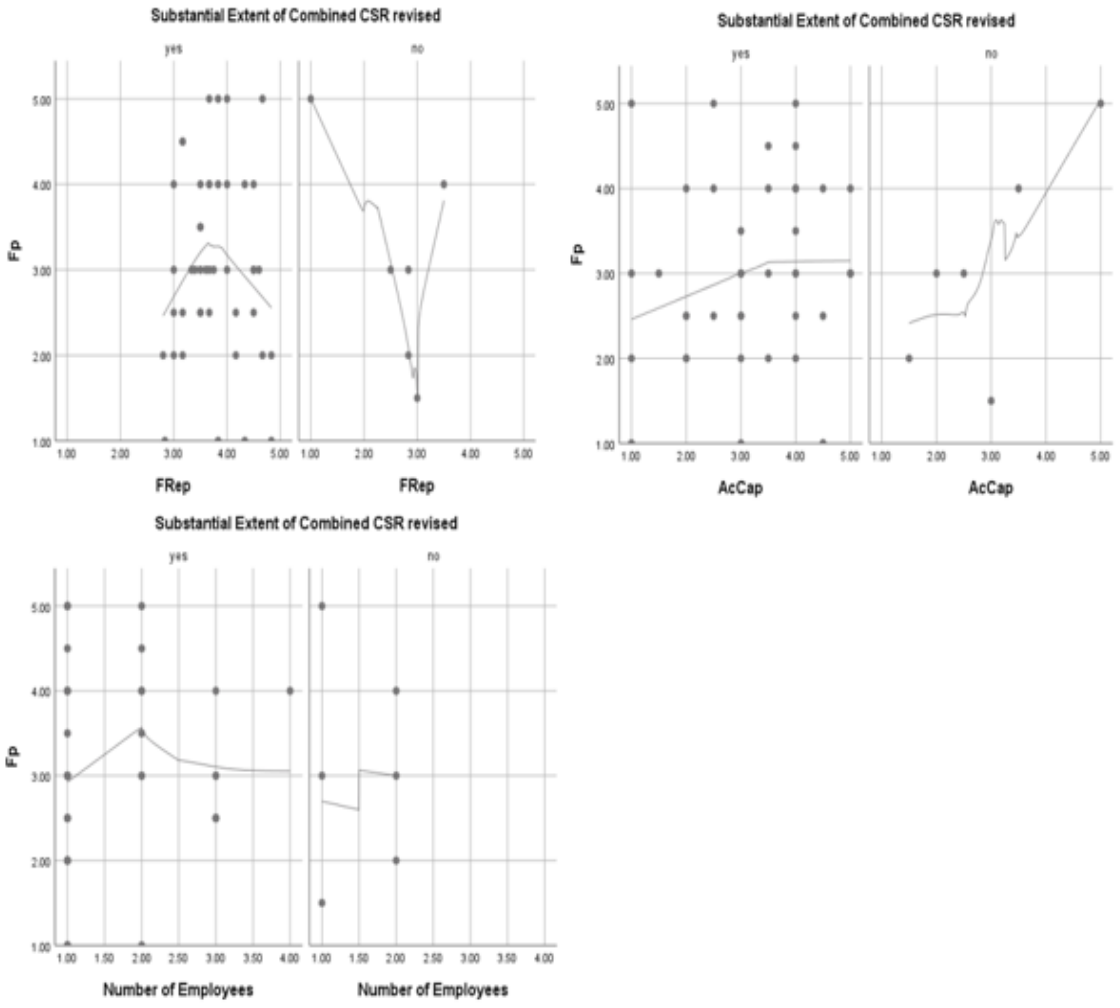

Figure 15. Scatterplots of SubCombCSRrev by Fp by FRep, AcCap, and Firm Size.

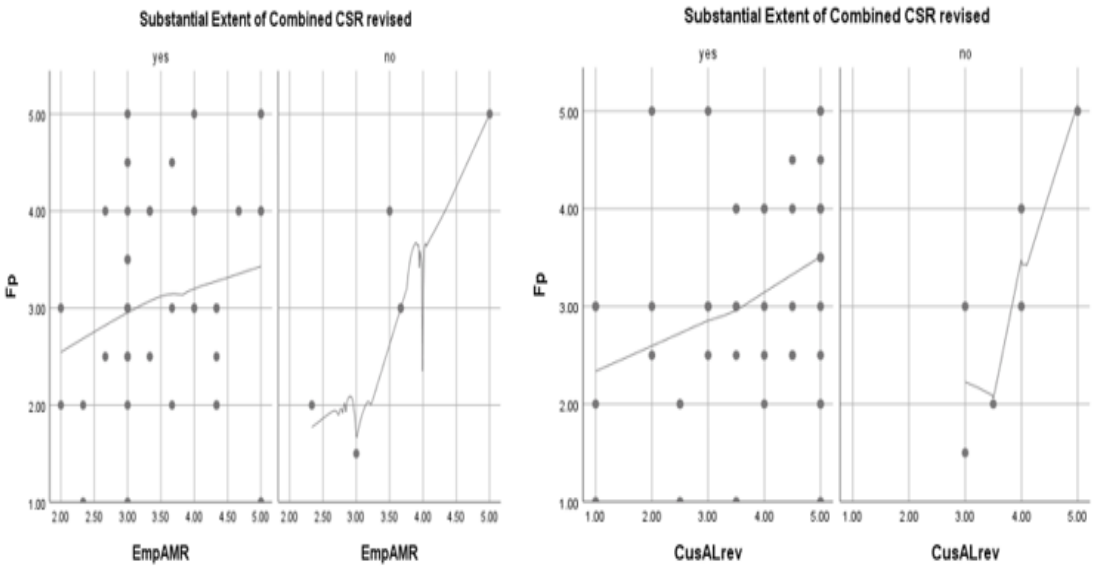

Figure 16. Scatterplots of SubCombCSRrev by Fp by EmpAMR and CusALrev.

After a visual inspection the simple scatterplots it was determined that for the "no" group, linearity did not exist between substantial combined CSR performance and financial performance for each covariate. It was also determined that for the "yes" group, linearity existed for substantial combined CSR performance and financial performance for each covariate. The cases in the "no" group were not included in the testing of this hypothesis.

Homogeneity of regression slopes evaluation for H3. The test of between subject effects results for financial performance and customer CSR performance is represented in Table 19. The test results indicated that there was homogeneity of regression of slopes based on a comparison of the ANCOVA model with and without interaction terms, $F(2, 36) = 0.72$, and $p = 0.49$.

Table 19

Test of Between-Subjects Effects for Financial Performance and Substantial Combined Corporate Social Responsibility Performance and Covariates

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	15.49[a]	8	1.94	1.69	.13	.27
Intercept	1.42	1	1.42	1.24	.27	.03
SubCombCSRrevGroup	2.07	1	2.07	1.81	.19	.05
EmpAMR	5.29	1	5.29	4.62	.04	.11
CusALrev	1.41	1	1.41	1.24	.27	.03
FRep	3.42	1	3.42	2.99	.09	.08
AcCap	.22	1	.22	.19	.67	.01
NumEmp	.08	1	.08	.07	.79	.00
SubCombCSRrevGroup * EmpAMR * CusALrev * FRep * AcCap * NumEmp	1.64	2	.82	.72	.49	.04
Error	41.21	36	1.15			
Total	470.75	45				
Corrected Total	56.70	44				

a. R Squared = .273 (Adjusted R Squared = .112)
Dependent Variable: Fp

Homoscedasticity evaluation for H3. The homoscedasticity test scatterplots for the substantial combined CSR performance revised indicator are depicted in Figure 17.

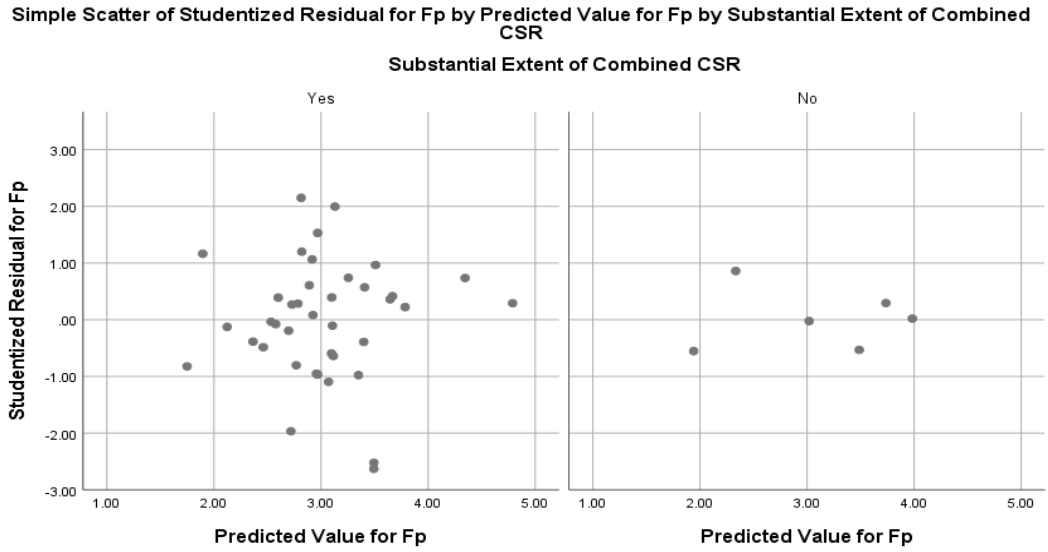

Figure 17. Scatterplot of Fp studentized residual by Fp predicted value for SubCombCSRrev.

Visual inspection of the generated simple scatterplots of the studentized residuals against predicted values revealed that there was homoscedasticity within each group of the independent variable.

Homogeneity of variance evaluation for H3. The Levene's test for the evaluation of homogeneity of variance was conducted for the substantial combined CSR performance variable. The test produced a significance level of $p = 0.10$. There was homogeneity of variance as assessed by Levene's test.

Testing for unusual points H3. Examination of the studentized values for financial performance, substantial combined CSR performance revised, and covariates found no values above 3 standard deviations and no values below -3 standard deviations. There were no unusual points for this grouping.

Excess leverage evaluation for H3. A review of the leverage values generated in SPSS for the financial performance, substantial combined CSR performance revised, and covariates grouping demonstrated that one had a value of 0.53. This was slightly above the 0.5 threshold for risky leverage. This subject met the service SME substantial combined CSR performance measure required for the testing of this hypothesis. Given the excess leverage exhibited, this case was removed from the testing of this hypothesis.

Influential points evaluation for H3. The Cook's distance values were examined for the financial performance-substantial combined CSR performance revised-covariates grouping. There were no Cook's distance values in excess of 1.0 and therefore there were no influential points for this condition.

Test of normality for H3. The test of financial performance distribution normality for substantial combined CSR performance using the Shapiro-Wilk test for normality. The results demonstrated a significance level of $p = 0.30$. The assumption of normality was met.

Evaluation of assumptions for hypothesis 4 and hypothesis 5. These hypotheses evaluated whether the average number of older SMEs with improved financial performance is larger than the average number of younger SMEs with improved financial performance when both invest substantially in combined CSR. The hypotheses were founded in the questions: (a) how does the financial performance of older service SME firms compare to the financial performance of younger service SME firms when both invest in combined social and environmental CSR? (b) how does the financial performance of older manufacturing SME firms compare to the financial performance of younger manufacturing SME firms when both invest in combined social and environmental CSR? For these hypotheses the measure of firm age (OlderSME), which was the dichotomized variable of the firm age continuous variable, indicated whether the SME firms were in operation for greater than 5 years.

Firm Age (OlderSME) = (FAge greater than 5 years = yes, FAge equal to or less than 5 years = no)

Linearity evaluation for H4 & H5. The firm age variable by financial performance by covariates simple scatterplots for the sample are displayed in Figure 18 and Figure 19.

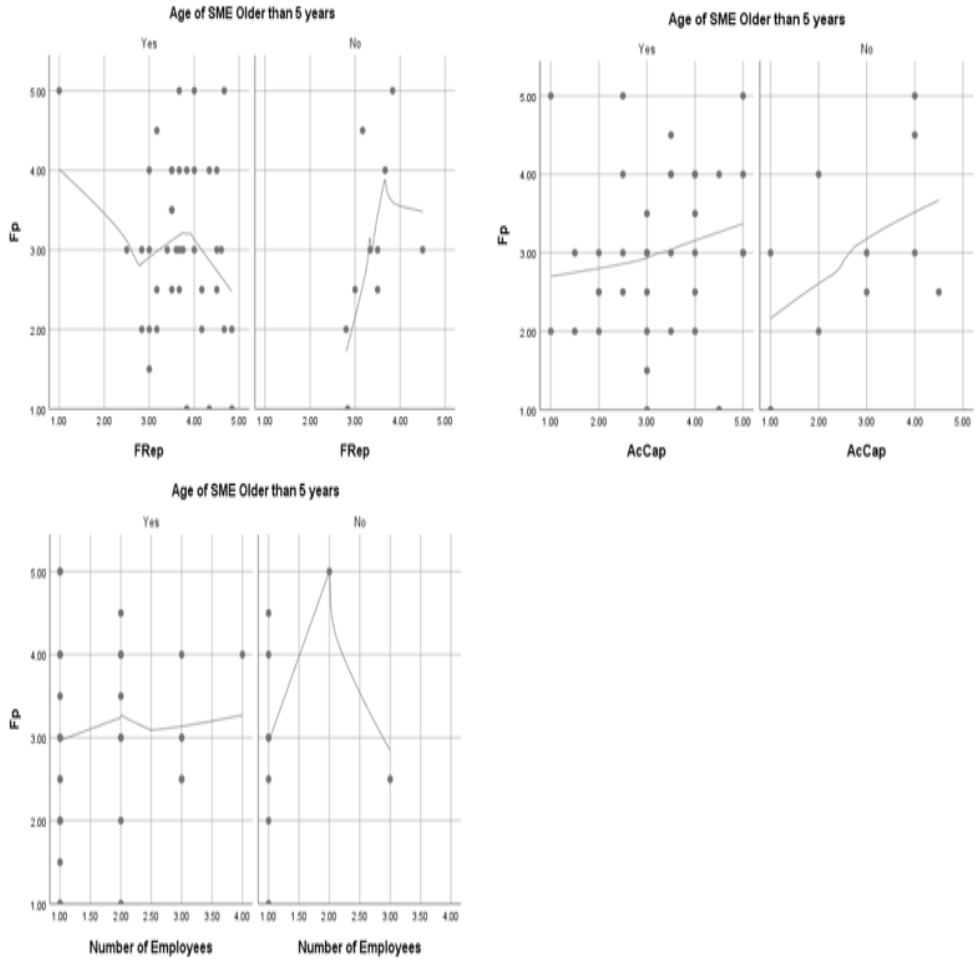

Figure 18. Scatterplots of Firm Age by Fp by FRep, AcCap, and Firm Size.

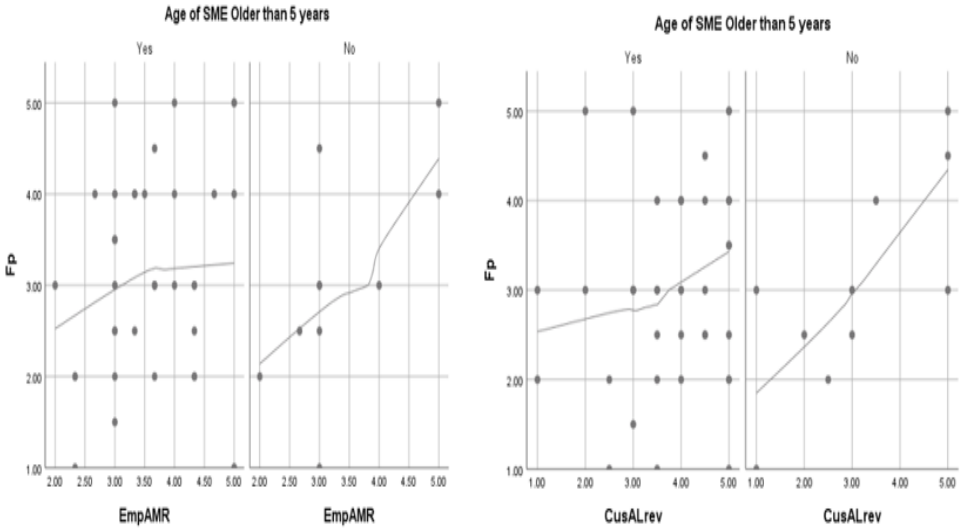

Figure 19. Scatterplots of Firm Age by Fp by EmpAMR and CusALrev.

After a visual inspection the simple scatterplots, with firm reputation results marginally accepted, it was determined that linearity existed between firm age performance and financial performance for each covariate.

Homogeneity of regression slopes evaluation for H4 & H5. The test of between subject effects results for financial performance and firm age is represented in Table 20. After a review of the results, it was determined that there was homogeneity of regression of slopes based on a comparison of the ANCOVA model with and without interaction terms, $F(2, 36) = 0.12$, and $p = 0.89$.

Table 20

Test of Between-Subjects Effects for Financial Performance and Firm Age and Covariates

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	14.27[a]	8	1.78	1.51	.19
Intercept	.66	1	.66	.56	.46
FirmAgeGroup	.05	1	.05	.04	.85
EmpAMR	4.55	1	4.55	3.86	.06
FRep	1.43	1	1.43	1.22	.28
AcCap	.02	1	.02	.02	.90
NumEmp	.28	1	.28	.23	.63
CusALrev	1.51	1	1.51	1.28	.27
FirmAgeGroup * EmpAMR * FRep * AcCap * NumEmp * CusALrev	.27	2	.14	.12	.89
Error	42.43	36	1.18		
Total	470.75	45			
Corrected Total	56.70	44			

a. R Squared = .252 (Adjusted R Squared = .085)
Dependent Variable: Fp

Homoscedasticity evaluation for H4 & H5. The homoscedasticity test scatterplots for the Firm Age indicator are depicted in Figure 20.

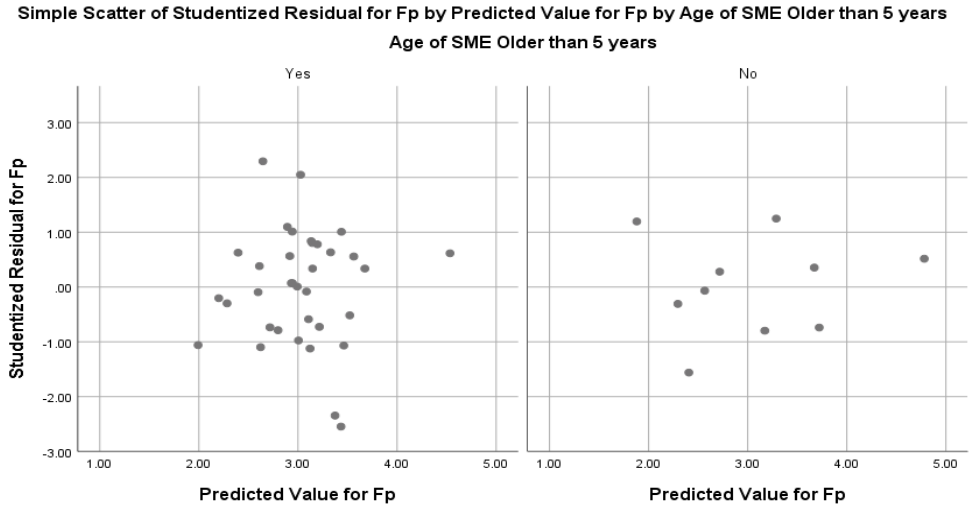

Figure 20. Scatterplot of Fp studentized residual by Fp predicted value for Firm Age.

After a visual inspection of the generated simple scatterplots of the studentized residuals

against predicted values it was concluded that there was homoscedasticity within each group of the Firm Age variable.

Homogeneity of variance evaluation for H4 & H5. The Levene's test for the evaluation of homogeneity of variance was conducted for the Firm Age variable. The test yielded a significance level of $p = 0.44$. Therefore, there was homogeneity of variance as assessed by Levene's test.

Testing for unusual points for H4 & H5. An examination of the studentized values for financial performance, Firm Age, and covariates revealed no values above 3 standard deviations and no values below -3 standard deviations. I determined that there were no unusual points for this grouping.

Excess leverage evaluation for H4 & H5. A review of the leverage values generated in SPSS for financial performance, Firm Age, and covariates grouping demonstrated that one had a value of 0.85. This score was well above the 0.5 threshold for risky leverage. This case was excluded from hypotheses 4 and 5 evaluation despite the case meeting the Firm-Age measure required for inclusion in hypotheses testing.

Influential points evaluation for H4 & H5. The Cook's distance values were inspected for the financial performance-Firm Age-covariates group. The highest Cook's distance value was 0.21 and therefore there were no influential points for this condition.

Test of normality for H4 & H5. The results of the test of financial performance distribution normality for Firm Age is displayed in Table 21.

Table 21

Test of Normality of Financial Performance Distribution for Firm Age

Age of SME Older than 5 years		Kolmogorov-Smirnov[a] Statistic	df	Sig.	Shapiro-Wilk Statistic	df	Sig.
Yes	Studentized Residual for Fp	.09	35	.200*	.97	35	.43
No	Studentized Residual for Fp	.12	10	.200*	.97	10	.84

*. This is a lower bound of the true significance.
a. Lilliefors Significance Correction

Note. The Shapiro-Wilk test for normality results displayed significance levels greater than 0.05. The assumption of normality was met.

The evaluation of the two-way ANCOVA assumptions yielded predominantly acceptable outcomes. There were questionable but acceptable linearity results for the firm reputation covariate, FRep, for the *H*1A, *H*1B, *H*1C, and *H*4/5 hypotheses. Linearity was not met for the "no" group of all covariates for the H3 hypothesis. The respective cases were not included in the testing of the *H*3 hypothesis. The evaluation for excess leverage points yielded at least one case with unacceptable results for all but the *H*1A hypothesis. The affected cases were not included in hypotheses testing.

Interpretation of Two-Way Interaction Effects

The determination of whether there were significant two-way interactions between variables was performed by interpreting the between-subjects effects tests in two-way ANCOVA. Table 22 depicts the summary of the test results of interactions between the independent variables community CSR, workplace CSR, customer CSR, environmental CSR, combined CSR, and firm age on the dependent variable financial performance whilst controlling for employee attraction/motivation/retention, customer attraction/loyalty, firm reputation, access to capital, and firm size.

Table 22

Summary of Tests of Between-Subjects Effects for Independent Variables

		SubScp	SubSwprev	SubScup	SubEp	SubCombCSRrev
SubSwprev	*F*(3, 34)	.18				
	Sig.	.91				
	Partial Eta Squared	.02				
SubScup	*F*(3, 34)	.65				
	F(2, 35)		.73			
	Sig.	.59	.49			
	Partial Eta Squared	.05	.04			
SubEp	*F*(4, 33)	.44				
	F(3, 34)		.25	.79		
	Sig.	.78	.86	.51		
	Partial Eta Squared	.05	.02	.07		
SubCombCSRrev	*F*(3, 34)	.46	.20	.65	.73	
	Sig	.71	.90	.59	.54	
	Partial Eta Squared	.04	.02	.05	.06	
Firm Age	*F*(4, 33)				.26	
	F(3, 34)	.29	.15	.67		.54
	Sig.	.88	.93	.58	.90	.66
	Partial Eta Squared	.03	.01	.06	.03	.05

Covatiates: EmpAMR * CusALrev * FRep * AcCap * NumEmp

Dependent Variable: Fp

The significance level indicates the probability of attaining the observed *F* test value given the null hypothesis of no significant between-subject interaction is true. The *F* tests, a comparison to an *F*-distribution, had interaction-term degrees of freedom of 2, 3, and 4, and error-term degrees of freedom of 33, 34, and 35 respectively. The measure of effect size, partial eta squared, ranged from a value of 0.02 to 0.06. These results were interpreted as there being no significant two-way interactions between substantial community CSR, substantial workplace CSR, substantial customer CSR, substantial environmental CSR, substantial combined CSR, and firm age on financial performance

whilst controlling for employee attraction/motivation/retention, customer attraction/loyalty, firm reputation, access to capital, and firm size, as was presented in Table 25. Restated, the results indicated that the effect of any one independent variables on financial performance is the same for any one of the other independent variables. Given that the simple main effects are all equal for the variables and their respective levels, separately investigating the main effect of each independent variable on the dependent variable financial performance was deemed appropriate.

An examination of the pairwise comparison evaluations was conducted to determine whether the two-way ANCOVA main effects of each independent variable on the dependent variable at the group level were significant. There were no significant main effects of the respective "yes" and "no" response groups of the independent variables on substantial community CSR, substantial workplace CSR, substantial customer CSR, substantial environmental CSR, substantial combined CSR, and firm age on the marginal mean of financial performance response.

Evaluation of the Research Model

The research hypotheses were intended to explore the impact of social, environmental CSR, and firm age on the financial performance of US manufacturing and service SME firms respectively when the identified confounding variables were controlled. A hierarchical multiple regression method was adopted to evaluate the research model. Specifically, financial performance, the dependent variable, was regressed against the independent variables social CSR factors (SubScp, SubSwprev, SubScup), environmental CSR (Ep), combined CSR (SubCombCSRrev), FAge, and the

control variables (EmpAMR, CusALrev, FRep, AcCap, and NumEmp). The regression analysis was conducted employing SPSS version 25 and the process generated the model summary displayed in Table 23. The control variables were entered in the first block and the independent variables in the second block. Table 24 depicts the ANOVA values for the regression analysis. The results indicated that the control and independent variables' abilities to predict financial performance were not significant.

Table 23

Model Summary of Financial Performance Regression Model Analysis

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.45[a]	.20	.10	1.06	.20	2.0	5	40	.10
2	.49[b]	.24	.00	1.12	.04	.30	6	34	.93

a. Predictors: (Constant), NumEmp, FRep, CusALrev, EmpAMR, AcCap

b. Predictors: (Constant), NumEmp, FRep, CusALrev, EmpAMR, AcCap, SubScup, SubScp, OlderSME, SubSwprev, SubEp, SubCombCSRrev

c. Dependent Variable: Fp

Table 24

ANOVA Values of Financial Performance Model Analysis

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.30	5	2.26	2.03	.10[b]
	Residual	44.55	40	1.11		
	Total	55.86	45			
2	Regression	13.55	11	1.23	.99	.48[c]
	Residual	42.3	34	1.24		
	Total	55.86	45			

a. Dependent Variable: Fp

b. Predictors: (Constant), NumEmp, FRep, CusALrev, EmpAMR, AcCap

c. Predictors: (Constant), NumEmp, FRep, CusALrev, EmpAMR, AcCap, SubScup, SubScp, OlderSME, SubSwprev, SubEp, SubCombCSRrev

The control variables accounted for 20% of the variance in financial performance, $R^2 = .20$, $F(5, 40) = 2.0$, not significant, $p = .10$. When the control and independent variables were combined, they accounted for 24% of financial performance variance, $R^2 = .24$, R^2 change = .04, $F(11, 34) = .99$, and were not significant at $p = .48$. The results indicate that the control variables made the most contribution to the predictability of the combined model on financial performance. However, due to the lack of significance, the results were viewed as likely occurring by chance.

The summary of coefficients for all variables, indicating the individual contribution of each variable on financial performance, is represented in Table 25. An investigation of the summary revealed that only the standard coefficients beta values for firm reputation, access to capital, substantial community CSR performance, and substantial customer CSR performance were negative. This implies that efforts to

improve the respective scores would be unfavorable to financial performance. Only the employee attraction/motivation/retention control variable had a statistically significant positive influence on financial performance, $t = 2.11$, $p = .04$. This implies that efforts to improve the employee attraction/motivation/retention score would benefit financial performance. The *t*-test values for the independent variables (SubScp, SubSwprev, SubScup, SubEp, SubCombCSRrev, and OlderSME) were not significant, $p > .05$.

Table 25

Regression Model Summary of Coefficients

		Unstandardized Coefficients		Standardized Coefficients			Correlations			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	1.397	1.103		1.267	.213					
	EmpAMR	.396	.188	.310	2.109	.041	.265	.316	.298	.922	1.084
	CusALrev	.277	.150	.304	1.852	.071	.322	.281	.262	.739	1.353
	FRep	-.260	.228	-.167	-1.138	.262	-.101	-.177	-.161	.930	1.075
	AcCap	-.008	.165	-.008	-.049	.961	.189	-.008	-.007	.665	1.504
	NumEmp	.131	.210	.096	.626	.535	.074	.098	.088	.853	1.173
2	(Constant)	1.336	2.270		.588	.560					
	EmpAMR	.434	.206	.340	2.112	.042	.265	.340	.315	.858	1.166
	CusALrev	.291	.171	.319	1.698	.099	.322	.280	.254	.630	1.588
	FRep	-.389	.332	-.249	-1.170	.250	-.101	-.197	-.175	.491	2.038
	AcCap	-.016	.182	-.017	-.088	.931	.189	-.015	-.013	.611	1.637
	NumEmp	.152	.230	.111	.661	.513	.074	.113	.099	.795	1.257
	SubScp	-.113	.388	-.046	-.290	.773	.012	-.050	-.043	.905	1.105
	SubSwprev	1.048	1.072	.184	.978	.335	.081	.165	.146	.626	1.597
	SubScup	-.083	1.113	-.015	-.075	.941	-.057	-.013	-.011	.581	1.721
	SubEp	.112	.424	.050	.264	.793	.122	.045	.039	.633	1.579
	SubCombCSRrev	-.753	.918	-.220	-.821	.418	.008	-.139	-.122	.310	3.225
	OlderSME	.176	.465	.064	.378	.708	-.005	.065	.056	.782	1.279

Dependent Variable: Fp

Hypotheses Testing

In Chapter 3, hypotheses testing by means of *t* statistic, ANOVA, and Chi-square analyses were proposed. As two-way ANCOVA analyses were conducted, Chi-square testing for independent association between variables was not required. ANCOVA results revealed no statistically significant effects between independent variables, covariates, and the dependent variable. To test each of the research hypotheses via *t* statistic, SPSS was employed to select respective cases meeting hypotheses criteria and to calculate the statistical components required for *t* statistical analysis. Frankfort-Nachmias and Leon-Guerrero (2015) described the assumptions of *t* statistic as: (a) random sample selection; (b) normal population distribution; (c) the dependent variable is measured at the interval-ratio level; (d) the population variances are equal, and (e) for two-sample hypotheses, samples are independent of each other. These assumptions were evaluated and met for the total sample. An α of 0.05 was deemed acceptable for this study to reduce the potential for type I and type II errors. Specifically, the null version of each hypotheses test was evaluated to determine if true. Computing the *t* statistic to test the null hypotheses about the difference in means involved translating the ratio of observed differences to its standard error into a *t* statistic. The following formula was employed:

$$t = \frac{\bar{Y}_1 - \bar{Y}_2}{S_{\bar{Y}_1 - \bar{Y}_2}}$$

where $\bar{Y}_1 - \bar{Y}_2$ is the observed difference between sample means and $S_{\bar{Y}_1 - \bar{Y}_2}$ is the estimated standard error of the sample distribution. The estimated standard error for samples (*N*) of 50 or less was calculated as:

$$S_{\bar{Y}_1 - \bar{Y}_2} = \text{SQRT}(S^2_{\bar{Y}_1}/N_1 + S^2_{\bar{Y}_2}/N_2)$$

In calculating the *t* statistic, the degree of freedom (*df*) represents the number of scores that can vary in calculating each statistic. The degree of freedom was calculated for sample sizes less than 50 using the formula:

$$df = \frac{(S^2_{\bar{Y}_1}/N_1 + S^2_{\bar{Y}_2}/N_2)^2}{(S^2_{\bar{Y}_1}/N_1)^2/(N_1 - 1) + (S^2_{\bar{Y}_2}/N_2)^2/(N_2 - 1)}$$

The *t* statistics analyses, with financial performance as the dependent variable, were computed for the SME sample meeting the respective criteria of each hypotheses. In Chapter 3, the proposed data analysis methods included *t*-tests using IBM SPSS software. The sample *t*-test calculation option provided detailed results for both equal and unequal variance assumptions for 2 tailed tests. It was acknowledged that the *t*-statistics analyses do not directly test the research hypotheses, which referred to the difference in the average number of respective SME firms. Instead, the *t* tests indicated the differences in mean financial performance scores between the respective SME sector firms. The *t*-statistics analyses were nevertheless able to adequately address their respective research question. A multi-level approach was taken in performing *t* statistics analyses for each hypothesis. Explicitly, *t* tests were performed on the full sample with no conditions applied, then on cases meeting the main condition of the respective hypotheses, and finally on cases that met all criteria of the respective hypotheses.

The first *t*-test analysis was performed on the full data set, 51 cases, to provide perspective. The overall sample group statistics of financial performance indicate a mean score of 3.35 for the 30 service SME cases and 2.63 for the 20 manufacturing SME cases.

Table 26 displays the related independent samples *t*-test results. The *t* test revealed that the average financial performance score for the total responding service SME firms was significantly higher, $p = .02$ equal variance assumed, than that of the total responding manufacturing SME firms.

Table 26

Full Sample Group Independent Samples T-Test Results

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Fp	Equal variances assumed	1.77	.190	-2.36	48	.023	-.725	.308	-1.34	-.106
	Equal variances not assumed			-2.44	45.16	.019	-.725	.297	-1.32	-.126

As previously described, the first research hypothesis relates to SME, financial performance, and community CSR and is restated here:

> ***H*$_1$1A**: The average number of SMEs with improved financial performance is larger for service SME firms with a substantial extent of their CSR investment in local community programs than for manufacturing SME firms with a substantial extent of their CSR investment in local community programs.
>
> ***H*$_0$1A**: The average number of SMEs with improved financial performance is not larger for service SME firms with a substantial extent of their CSR investment in

local community programs than for manufacturing SME firms with a substantial extent of their CSR investment in local community programs.

A *t* test was first conducted for SME firms reporting a substantial extent of community CSR. The resulting group statistics indicate that a total of 13 cases, 26% of the total qualified sample, met the substantial community CSR criterion. In particular, only 8 cases, 27% of the service sector sample, and 5 cases, 25% of the manufacturing sector sample, reported substantial community CSR contribution. The mean financial performance scores for cases reporting substantial community CSR was 3.25 for the service sector, and 2.70 for the manufacturing sector. Table 27 displays the independent sample *t*-test results.

Table 27

Sample T-Test Results for Substantial Community Corporate Social Responsibility and Sector

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference Lower	Upper
Fp	Equal variances assumed	.077	.786	-.832	11	.423	-.550	.661	-2.005	.905
	Equal variances not assumed			-.850	9.243	.417	-.550	.647	-2.008	.908

The outcomes indicated that the mean financial performance score for manufacturing SME firms was lower than the mean financial performance score for service SME firms by 0.55. However, the results were not statistically significant, $t = -.832$, $p = .42$, at the 5% significance level.

A *t* test to evaluate the full criteria for selection of hypothesis 1A, substantial extent of community CSR and improved financial performance, was performed. The group statistics results indicate only one manufacturing SME firm and four service SME firms met the research hypothesis 1A criteria. These cases represented 10% of the total sample. Due to only one manufacturing firm meeting the H1A criteria, a Levene's test was not performed. The average financial performance score for manufacturing SME firms, 4.00, was not statistically different from that of service SME firms, 4.13, for the H1A hypothesis criteria, $t = -.178$, $p = .87$. Table 28 depicts the sample *t*-test results.

Table 28

Sample T-Test Results for H1A Criteria

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Fp	Equal variances assumed	.	.	-.178	3	.870	-.125	.703	-2.364	2.114
	Equal variances not assumed			.	.	.	-.125	.	.	.

Hypothesis 1B involved SME sector, financial performance, and workplace CSR and is reiterated here:

> ***H*$_1$1B**: The average number of SMEs with improved financial performance is larger for service SME firms with a substantial extent of their CSR investment in workplace programs than for manufacturing SME firms with a substantial extent of their CSR investment in workplace programs.

***H*$_0$1B**: The average number of SMEs with improved financial performance is not larger for service SME firms with a substantial extent of their CSR investment in workplace programs than for manufacturing SME firms with a substantial extent of their CSR investment in workplace programs.

An initial *t* test was conducted for SME firms that reported a substantial extent of workplace CSR. The group statistics for financial performance indicator scores and sector showed that of the total sample, 48 cases, 96% reported a substantial extent of workplace CSR activity. The group statistics also showed that 93% of the service sector sample, 28 cases, and all the manufacturing sector sample reported substantial workplace CSR participation. The mean financial performance indicator scores were 3.34 and 2.63 for service and manufacturing sectors respectively.

The related sample *t*-test results are displayed in Table 29. The service sector mean financial performance score was significantly higher statistically than the mean financial performance score for the manufacturing sector, $t = -2.25$, $p = .03$.

Table 29

Sample T-Test Results for Substantial Workplace Corporate Social Responsibility and Sector

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Fp	Equal variances assumed	2.284	.138	-2.25	46	.029	-.714	.317	-1.353	-.076
	Equal variances not assumed			-2.33	45.	.025	-.714	.307	-1.332	-.096

A subsequent *t* test was performed for cases meeting those criteria of hypothesis 1B. Again, the stated selection criteria were the substantial extent of workplace CSR and the substantial extent of financial performance. There were three leverage values above 0.50 for this hypothesis. As was noted previously, the three cases did not meet the revised substantial workplace performance measure and were not included in the testing of this hypothesis. A total of 17 SME firms, 13 service and 4 manufacturing, representing 34% of the total sample met the *H*1B criteria. The results of the group statistics test for Hypothesis 1B indicate a mean financial performance score of 4.42 for service sector firms and 3.88 for manufacturing sector firms.

The sample *t*-test results are displayed in Table 30.

Table 30

Sample T-Test Results for H1B Criteria

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Fp	Equal variances assumed	5.715	.030	-1.95	15	.070	-.548	.281	-1.146	.050
	Equal variances not assumed			-2.828	11.62	.016	-.548	.194	-.972	-.124

The Levene's test yielded a significant result, $p = .03$. Therefore, equal variances could not be assumed. For cases meeting the hypothesis 1B criteria, the *t*-test results revealed that the manufacturing sector financial performance mean score was lower than that of the service sector, which was statistically significant at $t = 2.83$ and $p = .02$ for

equal variances not assumed. The null hypothesis for equality of variance could not be rejected.

Hypothesis 1C involved the financial performance, SME sector, and customer CSR. The null and alternative versions of hypothesis 1C are restated below:

> ***H*$_1$1C**: The average number of SMEs with improved financial performance is larger for service SME firms with a substantial extent of their CSR investment in customer programs than for manufacturing SME firms with a substantial extent of their CSR investment in customer programs.
>
> ***H*$_0$1C**: The average number of SMEs with improved financial performance is not larger for service SME firms with a substantial extent of their CSR investment in customer programs than for manufacturing SME firms with a substantial extent of their CSR investment in customer programs.

A specific *t*-test analysis was first conducted on cases that reported a substantial extent of customer CSR activity.

Almost all respondents, 96%, reported a substantial extent of customer CSR. Also the *t*-test analysis demontrated 97% of the service sector sample, 29 cases, and 95% of the manufacturing sector sample, 19 cases, reported substantial customer CSR involvement. The group statistics results indicated mean financial performance scores of 3.33 for service sector SMEs and 2.68 for manufacturing sector SMEs. As with the previous social CSR *t* statistic results, the mean financial performance score was higher for service sector SME firms. This outcome was statistically significant, $t = -2.04$, $p =$

.048 for equal variance assumed as indicated by the associated Levene's test results. Table 31 depicts the sample *t*-test results.

Table 31

Sample T-Test Results for Substantial Customer Corporate Social Responsibility and Sector

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Fp	Equal variances assumed	2.72	.142	-2.036	46	.048	-.643	.316	-1.280	.007
	Equal variances not assumed			-2.119	43.403	.040	-.643	.304	-1.256	-.031

The *t*-test analysis for cases meeting *H*1C criteria of substantial customer CSR and improved financial performance was conducted. There were two cases with leverage values were above 0.50 for this hypothesis criteria. The two cases were not included in hypothesis testing. The case group statistics indicate that for *H*1C, 34% of the total sample, 17 cases, met criteria. The mean financial performance score for manufacturing sector, 3.88, again was less than that of the service sector, 4.42. The *t*-test results are depicted in Table 32.

Table 32

Sample T-Test Results for H1C Criteria

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Fp	Equal variances assumed	5.72	.030	-1.95	15	.070	-.548	.281	-1.146	.050
	Equal variances not assumed			-2.83	11.6	.016	-.548	.194	-.972	-.124

This *t*-test result was statistically significant only for equal variance was not assumed, $t = -2.83$, $p = .02$. The Levene's test for equality of variances was significant at $p = .03$ and, therefore, the null hypothesis of equal variance could not be rejected.

Hypothesis 2, which involves SME sector, financial performance, and environmental CSR is restated:

> ***H*$_1$2**: The average number of SMEs with improved financial performance is larger for service SME firms with a substantial extent of their CSR investment in environmental programs than for manufacturing SME firms with a substantial extent of their CSR investment in environmental programs.
>
> ***H*$_0$2**: The average number of SMEs with improved financial performance is not larger for service SME firms with a substantial extent of their CSR investment in environmental programs than for manufacturing SME firms with a substantial extent of their CSR investment in environmental programs.

The *t* test for cases with substantial environmental CSR scores alone was performed. The sample group statistics indicate that 60% of the total sample reported substantial environmental CSR activity. The mean financial performance indicator scores were 3.24 for the service sector cases and 2.58 for the manufacturing sector cases. The difference in mean financial performance scores was not statistically significant, $t = -1.58$, $p = .13$, for equal variance assumed. In addition, the group statistics revealed that 57% of the service sector sample, 17 cases, and 65% of the manufacturing sector sample, 13 cases, reported substantial environmental CSR activity. The *t*-test results are depicted in Table 33.

Table 33

Sample T-Test Results for Substantial Environmental Corporate Social Responsibility and Sector

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Fp	Equal variances assumed	.740	.397	-1.58	28	.126	-.658	.418	-1.514	.197
	Equal variances not assumed			-1.61	27.5	.119	-.658	.409	-1.498	.181

The *t* statistical analysis for hypothesis 2 criteria, substantial extent of environmental CSR and substantial extent of financial performance, was conducted. Two cases with leverage values were above 0.50 for this hypothesis criteria and were not included in the testing of this hypothesis. The group statistics for hypothesis 2 indicate that only 20% of the total sample, 8 service sector cases and 2 manufacturing sector cases, reported a substantial extent of environmental CSR activity and improved financial performance. The resulting mean financial performance scores were 4.00 for manufacturing sector

cases and 4.31 for service sector cases. The *t*-test results displayed in Table 34 indicates that this difference was not statistically significant at the 5% level. The null version of this hypothesis, therefore, could not be rejected.

Table 34

Sample T-Test Results for H2 Criteria

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Fp	Equal variances assumed	9.957	.013	-.712	8	.497	-.313	.439	-1.325	.700
	Equal variances not assumed			-1.488	7.0	.180	-.313	.210	-.809	.184

The null and alternative versions of hypothesis 3 are:

***H*$_1$3**: The average number of SMEs with improved financial performance is larger for service SME firms with a substantial extent of their CSR investment in combined social and environmental programs than for manufacturing SME firms with a substantial extent of their CSR investment in combined social and environmental programs.

***H*$_0$3**: The average number of SMEs with improved financial performance is not larger for service SME firms with a substantial extent of their CSR investment in combined social and environmental programs than for manufacturing SME firms with a substantial extent of their CSR investment in combined social and environmental programs.

The initial *t* test was conducted for the condition of substantial combined social and environmental CSR activity. The group statistics results indicated 88% of the total sample, 44 cases, reported conducting substantial combined CSR. The group statistics also disclosed that 87% of the service sector sample, 26 cases, and 90% of the manufacturing sector sample, 18 cases, reported substantial combined social and environmental CSR contribution. Table 35 displays the sample *t*-test results.

Table 35

Sample T-Test Results for Substantial Combined Corporate Social Responsibility and Sector

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Fp	Equal variances assumed	2.50	.122	-1.71	42	.095	-.566	.332	-1.236	.103
	Equal variances not assumed			-1.77	40.6	.085	-.566	.320	-1.214	.081

The *t*-test analysis demonstrated that the average financial performance score for manufacturing sector SME firms was lower than for service sector SME firms. However, the results were not significant, $t = -1.71$, $p = .10$ for equal variance assumed.

The criteria for selection for hypothesis 3 was substantial extent of combined CSR and substantial extent of financial performance. One case had a leverage test value of 0.53. This case met the service SME substantial combined CSR performance criteria for the testing hypothesis 3. This case was removed from hypothesis testing. The case selection results for hypothesis 3 indicate 16 cases, 32% of the total sample, reported

substantial combined CSR and improved financial performance. Of the 16 cases, 4 were manufacturing and 12 were service. The mean financial performance scores were 3.88 for the manufacturing sector and 4.38 for the service sector. Table 36 represents the result of the *t* test.

Table 36

Sample T-Test Results for H3 Criteria

	Levene's Test for Equality of Variances		t-test for Equality of Means						
								95% Confidence Interval of the Difference	
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Equal variances assumed	5.24	.038	-1.797	14	.094	-.500	.278	-1.097	.097
Equal variances not assumed			-2.538	11.568	.027	-.500	.197	-.931	-.069

However, this result was only significant when equal variance was not assumed. Since the Levene's test for this hypothesis was statistically significant and the difference in means was not statistically significant, the null hypothesis of equal variance could not be rejected.

Hypothesis 4, which involves SME sector, financial performance, and service SME firm age is:

> ***H*₁4**: The average number of service SMEs with improved financial performance is larger for older service SME firms with a substantial extent of their CSR investment in combined social and environmental programs than for younger service SME firms with a substantial extent of their CSR investment in combined social and environmental programs.

***H*$_0$4**: The average number of service SMEs with improved financial performance is not larger for older service SME firms with a substantial extent of their CSR investment in combined social and environmental programs than for younger service SME firms with a substantial extent of their CSR investment in combined social and environmental programs.

The *t*-test analysis for service sector SME firms indicating the number of years they were in operation was conducted. The group statistics revealed that 24 service cases reported ages older than 5 years and 6 service cases reported ages 5 years and younger. Table 37 depicts the *t*-test results. Older service SMEs reported a mean financial performance score of 3.35 whereas younger service SMEs reported a score of 3.33. The analysis revealed that there was no statistical difference between the average financial performance scores of service SME firms older than 5 years and service SME firms 5 years and younger, $t = 0.40$, $p = .97$ for equal variance assumed.

Table 37

Sample T-Test Results for Service Sector Small- and Medium-Sized Enterprises and Firm Age

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Fp	Equal variances assumed	.937	.341	.040	28	.969	.021	.525	-1.05	1.10
	Equal variances not assumed			.033	6.379	.975	.021	.639	-1.52	1.56

The *t* test for cases meeting Hypothesis 4 criteria, substantial combined CSR and improved financial performance, was conducted. Only one case had a leverage test value

of 0.85 which over the acceptable threshold. As was noted previously, this case was excluded from both Hypotheses 4 and 5 evaluation. The group statistics results for hypothesis 4 indicated that of the total number of service sector cases, 12 of responding service sector SME firms met the criteria for Hypothesis 4 (9 older, 3 younger). The mean financial performance scores were 4.33 for older firms and 4.50 for younger firms. Table 38 illustrates the *t*-test results for financial performance and firm age for Hypothesis 4 criteria. There was no statistically significant difference in the mean financial performance scores of older and younger service SME firms, $t = -.456$, $p = .66$, at the 0.05 significance level.

Table 38

Sample T-Test Results for H4 Criteria

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Fp	Equal variances assumed	.85	.378	-.456	10	.658	-.167	.365	-.980	.647
	Equal variances not assumed			-.485	3.847	.654	-.167	.344	-1.136	.802

Hypothesis 5 involved SME sector, financial performance, and manufacturing SME firm age is restated below:

> ***H*$_1$5**: The average number of manufacturing SMEs with improved financial performance is larger for older manufacturing SME firms with a substantial extent of their CSR investment in combined social and environmental programs than for

younger manufacturing SME firms with a substantial extent of their CSR investment in combined social and environmental programs.

***H*$_0$5**: The average number of manufacturing SMEs with improved financial performance is not larger for older manufacturing SME firms with a substantial extent of their CSR investment in combined social and environmental programs than for younger manufacturing SME firms with a substantial extent of their CSR investment in combined social and environmental programs.

The *t* test for manufacturing sector SME firms reporting the years of operations was conducted. The group statistics revealed that 16 older manufacturing firms and 4 younger manufacturing firms reported substantial combined CSR investment. The group statistics also revealed no absolute difference in the mean financial performance scores of older and younger manufacturing SME firms, 2.63 for both. Therefore, the sample *t*-test analysis displayed in Table 39 indicated no statistical results.

Table 39

Sample T-Test Results for Manufacturing Sector Small- and Medium-Sized Enterprise Firm Age

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Fp	Equal variances assumed	2.67	.120	.000	18	1.00	.000	.550	-1.156	1.156
	Equal variances not assumed			.000	11.4	1.00	.000	.356	-.781	.781

The group statistics for hypothesis 5 criteria of substantial combined CSR and improved financial performance indicated that there were 4 older manufacturing SME firms and no younger manufacturing SME firms that met the Hypothesis 5 criteria. The mean financial performance score for the older firms was 3.88, whereas there was no mean financial performance sore for younger firms. Therefore, hypothesis 5 testing could not be performed.

Summary

In this chapter, the research results were presented in the context of the research questions posed earlier in the chapter. Specifically, the intent of the research questions was to assess the perceptions of SME management regarding their CSR investment decisions and financial performance with the purpose of improving the understanding of the relationship between business sectors and financial performance outcomes, as indicated by profits and sales, of U.S. SME firms that invest in social and environmental CSR. An additional goal of the study was to understand the relationship between firm age, combined CSR, and financial performance for U.S. SME operating in the service and manufacturing sectors. Each research question was addressed using a multi-level approach in the context of their respective CSR dimension.

The initial *t* test on the full sample with no criteria applied found that the average financial performance indicator score for service sector SME firms was significantly higher than the manufacturing sector financial performance indicator scores at the 5% significance level. Of note, the overall reported service sector average financial performance indicator score, 3.4, met the threshold for improved financial performance

while the overall reported average financial performance indicator score for manufacturing sector, 2.6, did not. The subsequent *t* tests were conducted in the context of the respective research questions.

The first research question was how does the financial performance of service SME firms compare to the financial performance of manufacturing SME firms when both invest in social CSR? To address this question, responses were required to meet both the substantial social CSR and the improved financial performance hypothesis criteria. There were three hypotheses associated with this research question which respectively accounted for the three elements of social CSR – community, workplace, and customer.

For hypothesis 1A, the initial *t* test, conducted on the sample for exclusively the substantial community performance criterion, found that a relatively small quantity of service and manufacturing SME firms invested resources in community CSR. Nevertheless, the mean financial performance score was 0.55 higher for service sector SMEs than for manufacturing sector SMEs, which was not significant at the 5% level. The *t*-test evaluation for full *H*1A criteria was performed. Only five SME respondents acknowledging substantial community CSR activity and improved financial performance. The results found that there was no statistically significant difference between the average financial performance score for manufacturing SME firms and that of service SME firms. Correspondingly, the results of the regression model analysis suggested that the substantial community CSR performance indicator variable, SubScp, negatively impacted the financial performance, however, not to a statistically significant degree, $p >$

.05. Consequently, I concluded that the null version of hypothesis 1A could not be rejected in favor of the alternative.

For hypothesis 1B, the initial *t*-statistical evaluation was conducted for case meeting only the substantial workplace CSR criterion and the results demonstrated that over 90% of service and all manufacturing SMEs sampled invested substantially in workplace CSR. The *t* test also indicated a significantly higher mean financial performance score for service sector SMEs than for manufacturing sector SMEs at the 5% significance level. The *t* test for cases meeting hypothesis 1B criteria found that the service sector mean financial performance score was statistically significantly higher than the manufacturing sector mean financial performance score for equal variances not assumed only. The associated Levene's test could not confirm equal variance for the *H*1B *t* test. Likewise, the hierarchical multiple regression analysis of the research model suggested that the revised substantial workplace CSR performance indicator variable, SubSwprev, positively influenced the financial performance outcome variable, but not to a statistically significant level, $p > .05$. Therefore, the null version of hypothesis 1B could not be rejected.

For hypothesis 1C, the initial *t* test was conducted for solely the substantial customer CSR performance variable (SubScup) criterion. Results indicated that most service and manufacturing SME firms invested substantially in customer CSR. The results also indicated that the higher service sector mean financial performance score relative to the manufacturing sector mean financial performance score was statistically significant for both equal variances assumed and not assumed. The second *t* test

conducted for cases meeting full *H*1C criteria found a similar result of a lower mean financial performance score. Nevertheless, the result was only significant for equal variance not assumed. The Levene's test was significant at the 5% level and, therefore, equal variance could not be assumed. A negative association between substantial customer CSR variable and financial performance was found after hierarchical multiple regression analysis, though, not significantly, $p > .05$. Consequently, it was concluded that the null version of hypothesis 1C could not be rejected.

The second research question was how does the financial performance of service SME firms compare to the financial performance of manufacturing SME firms when both invest in environmental CSR? Hypothesis 2, which involved substantial environmental CSR and improved financial performance, was intended to address this research question. Results indicated a greater percentage of manufacturing sector SMEs engage in environmental CSR activities, 65% than do service sector SMEs, 57%. The initial *t*-statistic evaluation revealed that, as was found with social CSR evaluations, the average financial performance score for service SME firms was higher than that of manufacturing SME firms. Nevertheless, the result was not statistically significant at the 5% level. Analysis of full hypothesis 2 criteria discovered that the higher mean financial performance score for service sector service observed was not statistically significant at the 5% level. Likewise, the hierarchical multiple regression evaluation suggested that the substantial environmental CSR performance variable was marginally positively associated with financial performance yet not a statistically significant predictor of

financial performance, standard coefficient beta = .05. The null version of hypothesis 2 was not rejected.

The third research question was how does the financial performance of service SME firms compare to the financial performance of manufacturing SME firms when both invest in combined social and environmental CSR? Most of the respondents, 88%, conveyed substantial combined social and environmental CSR activities. There was a greater percentage of manufacturing sector SMEs that engage in combines CSR, 90% than for service sector SMEs, 87%. Again, the initial *t*-test result indicated a higher average financial performance score for SME firms in the service sector than for those of the manufacturing sector, albeit not statistically significant, $p > .05$. The *t*-test results for the testing of hypothesis 3, which related substantial combined CSR and improved financial performance, indicated a higher service sector mean financial performance score that was not statistically significant. The regression analysis implied that the substantial combined CSR performance variable was negatively associated with and had no statistically significant predictive influence on financial performance, $p > .05$. The null version of hypothesis 3 could, therefore, not be rejected.

The fourth research question was how does the financial performance of older service SME firms compare to the financial performance of younger service SME firms when both invest in combined social and environmental CSR? The *t* test on only cases that met the substantial combined CSR criterion revealed no statistical difference between the mean financial performance scores of service SME firms older and younger service SME firms, $p > .05$. For cases meeting full hypothesis 4 criteria, substantial

combined CSR and improved financial performance, the *t* test results yielded no statistical difference between the mean financial performance scores. Moreover, the multiple regression analysis implied a marginally positive association with the older SME variable and financial performance, which was not, however, significant at the 5% level. The null version of hypothesis 4 was not rejected.

The fifth research question was how does the financial performance of older manufacturing SME firms compare to the financial performance of younger manufacturing SME firms when both invest in combined social and environmental CSR? There was absolutely no difference in the mean financial performance scores of older and younger manufacturing SME firms was and, consequently, the sample *t*-test analysis indicated no statistical results. For the full hypothesis 5 criteria situation, there were no younger manufacturing SME firms reporting substantial combined CSR activities. Therefore, no *t*- test evaluation of firm age and combined CSR for manufacturing sector SMEs was possible.

Some additional relevant outcomes were realized from data analyses. The *t*-statistic evaluation of the full dataset with no criteria restrictions applied revealed a statistically significant higher mean financial performance score for service sector SMEs than for manufacturing sector SMEs, $p < .05$. The hierarchical multiple regression model analysis revealed that the control variables accounted for 20% of the variance in financial performance, not significant, $p = .10$. The control and independent variables combination accounted for 24% of financial performance variance, not significant at $p = .48$. Another salient result of the regression analysis was the impact of the controlled variables,

employee attraction/motivation/retention, access to capital, firm reputation, customer attraction/loyalty revised, and number of employees, on financial performance variance. The employee attraction/motivation/retention control variable was the only variable for which improvement efforts could have a significantly positive impact on financial performance, $p < .05$. For the remaining control variables, improvements in customer attraction/loyalty revised and number of employees implied a positive influence on financial performance, however, not significantly, $p > .05$. The outcomes for the access to capital and firm reputation variables implied negative impacts on financial performance if attempts were made to improve their respective scores, albeit not significantly, $p > .05$. Another important outcome of data analysis was that manufacturing SME firms and service SME firms reported substantial investments at similar levels for all elements of CSR evaluated. In particular, only 27% SMEs of the service and 25% of manufacturing sectors reported substantial community CSR involvement, which represented lowest percentage of the social CSR elements. This result implied that SME firms from both business sectors exhibited social responsibility to the same extent. The result also suggested a lessened risk of response bias, the notion that socially responsible businesses are more responsive and overrate CSR activities than socially irresponsible businesses, potentially associated with the use of questionnaire surveys in CSR studies.

In Chapter 5, a detailed discussion of the finding was provided, which included supportive facts and explanations. Also, a discussion of these finding in the context of the research literature and suggestions for future study on the subject were conveyed.

Chapter 5: Discussion, Conclusions, and Recommendations

Summary of Findings

This quantitative study was undertaken to explore the relationship between CSR and financial performance for SMEs operating in the service and manufacturing business sectors in the United States during the 2017 calendar year. The general management problem this study addressed was the decision-making challenges SME leaders face when engaging in CSR efforts, given their relatively limited resources. The goal was to inform SME leadership operating in their respective business sectors and the CSR community regarding the effectiveness of investments in the individual elements of social CSR and environmental CSR as measured by improved financial performance. An additional goal of the study was to investigate the temporal relationship of firm age, CSR activities, and financial performance of SME firms operating within their respective business sectors. To fulfill the goals of this study, five research questions were developed:

1. How does the financial performance of service SME firms compare to the financial performance of manufacturing SME firms when both invest in social CSR?
2. How does the financial performance of service SME firms compare to the financial performance of manufacturing SME firms when both invest in environmental CSR?

3. How does the financial performance of service SME firms compare to the financial performance of manufacturing SME firms when both invest in combined social and environmental CSR?
4. How does the financial performance of older service SME firms compare to the financial performance of younger service SME firms when both invest in combined social and environmental CSR?
5. How does the financial performance of older manufacturing SME firms compare to the financial performance of younger manufacturing SME firms when both invest in combined social and environmental CSR?

The findings for the first question revealed that there were varied significances in the difference in means for financial performance indicator variables of service sector and manufacturing SME firms reporting substantial community, workplace, and customer CSR. The *t*-test results showed that the mean financial performance score for service sector SME firms was greater than for manufacturing sector SME firms for all social CSR elements. However, the mean financial performance score difference was only significant for the single criterion *t* tests of substantial workplace CSR and substantial customer CSR, $p = 0.03$ and $p = .048$, respectively. For social CSR, all the single criterion average financial performance scores of service sector SMEs met the improved financial performance threshold, yet the manufacturing sector SMEs scores did not meet that level. There were no statistically significant results from full criteria hypotheses *t* testing of any of the social CSR elements. More precisely, there were no significantly higher mean financial performance scores for service sector SMEs for analyses involving

the improved financial performance variable as defined in this study. The *t* statistics also demonstrated that both service and manufacturing SME firms in the United States invested more in workplace and customer CSR (over 90%) than in community CSR (less than 30%). Further, based on a hierarchical multiple regression analysis, substantial workplace CSR performance suggested a positive influence on financial performance, and substantial community CSR and customer CSR performances had negative influences on financial performance, although these findings were not statistically significant. Based on these findings, service SME firms may be better able to capitalize on social capital opportunities that exist within and external to their respective organizations as manifested in greater financial performance.

The findings for Question 2 were similar to Question 1. The higher mean financial performance indicator score for service sector SME firms suggested by the t-test results was not statistically significant for substantial environmental CSR, $p = .13$, or for combined substantial environmental CSR and improved financial performance, and $p = .50$. Although less than 70% of the SME firms sampled reported substantial environmental CSR activities, a larger percentage of manufacturing firms (65%) reported doing so than service firms (57%). The regression analysis findings also implied the substantial environmental CSR variable had a minimal positive but insignificant influence on financial performance. Based on the findings, potential improvements in environmental CSR may not necessarily improve financial performance outcomes. Additionally, U.S. SME leaders' perception of improved financial performance outcomes could be due less to environmental CSR activities and more to the positive influences of

workplace CSR, employee interactions, customer interactions, and firm size on financial performance.

The findings for Question 3 were statistically similar to the findings for the previous questions. The *t*-test analyses showed for service sector SMEs a higher mean financial performance score for the substantial combined CSR factor both when the improved financial performance criterion was applied and not applied, $p > .05$. The standard coefficients beta, -.22, for the revised substantial combined CSR variable suggested a negative association with financial performance, but not significantly. It suggested efforts to improve the overall combined social and environmental CSR performance could adversely impact financial performance. An implication of these findings was that positive outcomes in financial performance could be realized if SME leaders placed more emphasis on employee and customer CSR activities instead of evenly applied CSR improvement efforts.

The findings for the fourth research question revealed essentially no differences in average financial performance indicator scores between older and younger service SME firms when both invest in combined social and environmental CSR. The *t* statistics analyses yielded no statistically significant difference between older and younger service sector SMEs both for cases with the applied improved financial performance criterion and without, $p > .05$. The multiple regression analysis implied that the firm age variable was also only slightly positively associated with financial performance, although not to a statistically significant level, standardized coefficient beta = .064, $p = .71$. These findings imply that for U.S. service sector SME firms, there was no perceived financial

performance advantage for older firms over younger SME firms when engaging in social and environmental CSR activities. Other implications include that any perceived financial performance benefits from CSR activities may not require long-term operationalization of CSR programs and that SME leaders in the service sector likely make little improvements in CSR overtime.

The fifth research question's findings were inconclusive. A *t* statistics analysis indicated no results due to absolutely no difference in the mean financial performance scores between older and younger manufacturing SME firms that engage in substantial combined CSR. Additionally,, as was displayed in the study's descriptive statistics, there were no younger manufacturing SME firms reporting both substantial combined CSR activities and improved financial performance. Further, the respective mean financial performance scores of both older and younger manufacturing sector SME firms were lower than the respective mean financial performance scores for older and younger service sector SME firms. The manufacturing sector mean financial performance scores did not meet the improved financial performance level while the service sector mean financial performance scores met the improved financial performance threshold. Although there was not a specific *t* test for this situation, the full sample *t*-test results for financial performance per business sector found statistically significant lower score for the manufacturing sector, $p < .05$. Again, the implication was that there was no perceived financial performance advantage for older firms over younger firms for U.S. manufacturing sector SME firms when they engage in combined CSR activities. As was the case with service sector SME firms, the findings implied that perceived impact on

financial performance from CSR activities may not require an extensive timeline and that manufacturing SME leaders make little modifications to CSR investments over time.

For all of the research questions, the controlling factors (employee attraction/motivation/retention, customer attraction/loyalty, firm reputation, access to capital, and number of employees) accounted for 20.2% of the variance in financial performance, $F(5, 40) = 2.0$, $p = .10$. Only 4% of the financial performance variance was explained by the remaining factors (substantial community CSR, substantial workplace CSR, substantial customer CSR, substantial environmental CSR, substantial combined CSR, and firm age). The control variable employee attraction/motivation/retention was the sole statistically significant predictor of financial performance, standardized coefficient beta = .340, $t = 2.11$, $p = .04$. The customer attraction/loyalty variable suggests a positive impact on financial performance, although, not significantly, standardized coefficient beta = .319, $t = 1.70$, $p = .10$. These findings implied that for U.S.-based SMEs, engaging in CSR activities that influence employee attraction, motivation, and retention could lead to positive financial performance. SME leaders can contemplate these factors when developing financial performance improvement strategies.

The next section of this chapter includes interpretations of the study findings. I put the findings in the context of prior research. I also interpreted the findings guided by Carroll's (1991) stakeholder theory and Coleman's (1988) and Putnam's (1993) versions of social capital theoretical models. My interpretation of the findings for Questions 4 and 5 was also guided by the research of Trencansky and Tsaparlitis (2014). The remainder of

the chapter includes the limitations of the study and recommendations for future research, followed by the conclusion of the study.

Interpretation of Research Findings

This section details the interpretation of the research findings and is organized into a literature summary relevant to the findings, interpretation of the findings relative to the research questions encompassing the SME business sector findings and level of financial performance predictability, linking the findings to the theoretical context, and the inferences of the interpretations for the field.

Summary of the Literature Relevant to the Findings

The literature revealed varying conclusions regarding the influence of CSR activities on financial performance, with some reporting negative effects, others reporting positive effects, and others reporting mixed effects. These studies were principally correlative in nature, focused on large firms, and had differing measures of financial performance. Their findings were interpreted as a positive or negative signal of stock market returns, short-term profitability, improved productivity, or long-term wealth. Most prior research findings were positive. The current study suggested mixed outcomes on the effects of CSR on financial performance depending on the element of CSR. The findings aligned with the findings of Inoue and Lee (2011), who conveyed positive influences of the employee relations and product quality elements of CSR on short-term profitability, whereas community and environmental CSR elements had insignificant effects.

The literature review also revealed modest research on the relationship between SME business sector, CSR, and financial performance. However, there were no precise

comparative studies of SME financial performance based on business sector. Hou et al. (2016) represented the only correlative study on this subject in the literature review, revealing no statistically significant correlation between overall CSR and business performance for service sector versus manufacturing sector firms. The researchers reasoned that social CSR, assumed to be the focus of service firms, and environmental CSR, assumed to be more concerning to manufacturing firms, were equally important in East Asian countries. The current study, reflective of U.S.-based firms, showed similar results, depending on the CSR element contextually. The interpretations of findings for the research questions are presented next within the framework of the literature.

Research Question 1: Comparison of Financial Performance for Small- and Medium-Sized Enterprise Sector Firms for Social Corporate Social Responsibility

The literature search revealed few specific studies relating U.S.-based SME business sector comparisons of financial performance and social CSR activities. However, this study's findings were consistent with the premise of Hou et al. (2016) that due to the perceived greater social CSR and social capital investment opportunities, service sector SMEs can realize greater financial performance than would manufacturing sector SMEs. Despite consistency with past research, results showed varying statistical significance for the respective social CSR elements.

For the community CSR element, *t*-test results suggested a higher perceived financial performance rating for service SMEs than for manufacturing SMEs yet no statistical significance. The results were the same for SMEs reporting improved financial performance and substantial community CSR activity. However, the hierarchical multiple

regression results suggested a slightly negative yet statistically insignificant effect of community CSR on financial performance, business sector notwithstanding. Although their study has a slightly different focus, Inoue and Lee (2011) also reported considerable negative community CSR effects on short-term accounting-based financial performance, which applied to the airline industry, but a positive effect for hotel and restaurant industries. Further, Brammer et al. (2006) found that community CSR activities were significantly negatively correlated with stock market performance for most industries but positively correlated for the resource industry. Their implication was that substantial community involvement could have varying effects on financial performance dependent on the specific business environment, which the current study's findings appeared to augment. Service sector firms seemed to benefit more financially than manufacturing sector firms when conducting substantial community CSR. This implication was consistent with the assumption of the advantages service sector firms realize due to social capital and stakeholder factors.

For the substantial workplace CSR factor, *t* statistics results showed a statistically significantly greater average financial performance rating for service sector SME firms than for manufacturing sector SME firms. However, for the SMEs reporting improved financial performance and substantial workplace CSR activity, the implication of a greater service SME average financial performance score was not significant at the 5% level. Furthermore, the multiple regression analysis revealed workplace CSR activities suggested a slightly positive yet insignificant effect on financial performance regardless of SME business sector designation. The regression analysis also revealed that the control

variable employee attraction/motivation/retention activities positively impacted financial performance significantly. This variable accounted for the perceived influence of CSR activities on employee recruitment, their motivation, and desire to remain with the firm.

The CSR literature reported mixed results of workplace or employee related activities' effect on financial performance. Sweeney (2009) found a positive effect of employee attraction/motivation/retention on the short-term financial success of firms, whereas Brammer et al. (2006) found employment CSR activities had a marginally positive relation to financial performance overall. Inoue and Lee (2011) also reported improved financial performance due to employee CSR activities for the airline industry yet reduced financial performance for the hotel and restaurant industries. An implication of the findings was, as with community activities, that the impact of employee CSR activities on financial performance is dependent on business environment. Another implication is that U.S. SME firms could gain financially by leveraging and promoting their CSR programs to optimize employee resources. The assumption was that attracting and retaining motivated employees leads to improved financial performance. The study findings for workplace CSR were consistent with some researchers and inconsistent with others.

The *t*-test findings for the substantial customer CSR factor alone indicated a significantly higher average financial performance rating score for service SMEs than for manufacturing SMEs. However, the findings for SMEs reporting improved financial performance and substantial customer CSR involvement were significant only for equal variance not assumed. Because the Levene's test for these criteria was significant, p =

.03, the *t*-test result was not considered valid for this study. The multiple regression results also suggested that substantial customer CSR activities had a slightly insignificant negative effect on financial performance. This suggested negative correlation findings contrasted with Inoue and Lee's (2011) findings of a positive correlation between the product (customer) element of social CSR and both short-term and future financial performance for the industries studied. Correspondingly, the multiple regression beta for the study control variable customer attraction/loyalty suggested a positive effect on financial performance, though statistically insignificant. The suggested positive impact for the study control variable was in keeping with Sweeney's (2009) reported findings of a positive correlation between customer attraction/loyalty and financial performance. A possible implication of these findings was that for U.S.-based service sector SMEs, customer CSR activities could be more beneficial financially than for U.S.-based manufacturing SMEs despite essentially equal investment levels. Nevertheless, U.S. SME leaders should carefully monitor financial performance indicators whilst modifying the level of customer CSR investment given the marginally negative implications for financial performance, business sector notwithstanding.

In summary, for all elements of social CSR, U.S. service sector SME firms exhibited higher average financial performance indicator scores than U.S. manufacturing SME firms with varying statistical significance. The substantial workforce CSR and substantial customer CSR elements displayed a statistically significant financial performance score difference between sectors, $p < .05$, while the financial performance score difference for the community CSR element was not significant, $p > .05$. The effects

of substantial social CSR efforts on financial performance were mixed. The multiple regression beta for substantial workforce CSR element suggested a positive effect while the betas for substantial community and substantial customer CSR elements suggested slightly negative effects. The mixed study findings were in keeping with the research literature, which also reported mixed results of the social CSR effects on financial performance across different industries, albeit mostly positive. The implications of the social CSR findings included that social capital and stakeholder factors may contribute to the perceived financial advantage U.S. service sector firms exhibited over U.S. manufacturing sector firms when engaged in social CSR. Also, U.S. SMEs could benefit financially if they leverage and promote their CSR campaigns to recruit, motivate, and retain employees and to influence customers. Substantial social CSR activities effect financial performance differently depending on the individual element and business situation. Again, U.S. SME leaders should scrutinize financial performance markers when altering social CSR investment levels.

Research Question 2: Financial Performance Comparison of Small- and Medium-Sized Enterprise Sector Firms for Environmental Corporate Social Responsibility

Question 2 asked how does the financial performance of service SME firms compare to the financial performance of manufacturing SME firms when both invest in environmental CSR? The *t*-test result suggested a greater yet insignificant mean financial performance score for service SME firms when engaged in substantial environmental CSR activity. The outcome was the same for SMEs of both sectors reporting improved financial performance and substantial environmental CSR activity. The results of the

hierarchical multiple regression analysis suggested that substantial environmental CSR had a slightly positive although insignificant effect on financial performance. This potentially positive impact was consistent with the findings of Hou et al. (2016) although, contrasted with the results of Inoue and Lee's (2011) and Brammer et al. (2006) who found a statistically significant negative correlation. Interestingly, even though results showed a slightly greater percentage of manufacturing SMEs invested substantially in environmental CSR than did service SMEs, improved financial performance was not reported for the manufacturing sector firms. Implications of this finding included, for U.S. service and manufacturing SMEs, making substantial environmental CSR investments may only have a minimally positive effect on financial performance and investment in environmental CSR beyond regulatory requirements may negatively affect financial performance.

Research Question 3: Financial Performance Comparison of Small- and Medium-Sized Enterprise Sector Firms for Combined Corporate Social Responsibility

Once more, question 3 inquired how does the financial performance of service SME firms compare to the financial performance of manufacturing SME firms when both invest in combined social and environmental CSR? The findings of *t*-statistical analysis suggested a higher yet insignificant mean financial performance score for service SME firms than for manufacturing SME firms. A similar *t*-test result was encountered for SMEs reporting improved financial performance and substantial combined CSR. In addition, the multiple regression analysis suggested that combined social and environmental CR had a negative effect on financial performance, though not statistically

significantly. This potential outcome was consistent with Brammer et al.'s (2006) finding of a statistically significant negative impact on financial performance for combined social and environmental CSR for 9 of the 10 industries examined. However, the suggested result was in contrast with the Hou et al. (2016) meta-regression analysis, which found that the combined CSR efforts of both SMEs and non-SMEs in Asia had a strong positive effect on financial performance. Implications of this study finding include, for U.S, SME firms, disaggregation of CSR efforts and assessment of individual CSR elements could lead to better optimization of CSR resources. Also, for U.S. SME firms regardless of sector, the perceived advantages from social capital factors in social CSR could be moderated when social and environmental CSR efforts are combined. Additional discussion on theoretical framework implications were presented later in the chapter.

Research Question 4: Financial Performance Comparison of Firm Age for Service Small- and Medium-Sized Enterprise Firms

Question 4 asked how does the financial performance of older service SME firms compare to the financial performance of younger service SME firms when both invest in combined social and environmental CSR? The *t*-test results revealed virtually no difference in the mean financial performance scores of service SMEs older than 5 years and those 5 years and younger when both groups conduct substantial combined CSR activities. The regression analysis suggested that firm age had a slightly positive yet insignificant correlation with financial performance. The review of the literature divulged few empirical researches on the relation of CSR, SME sector, firm age, and financial performance. Nevertheless, this suggested positive financial performance correlation with

firm age was in line with the inconsistent correlation of firm age and financial performance reported by Inoue and Lee (2011). The European Commission (2002) reported that SMEs over 5 years old increase their CSR involvement greater than 10%. Similarly, Badulescu, Badulescu, Saveanu, and Hatos (2018) reported that CSR activities increased as a result of enhanced firm image, more predictable income, and CSR formalization as firms age. This study's findings suggested that for U.S. service SME firms engaged in combined CSR, there may be little financial performance advantage to older firms attributed to enhanced CSR operationalization opportunities as firms age. The findings further suggested that for U.S. service SMEs, influence on financial performance from investments in CSR may well take place relatively early after operationalization, and despite the preconceived CSR advantages afforded to older SMEs, the older service SME firms may only have made minute escalation in combined CSR investments over time.

Research Question 5: Financial Performance Comparison of Firm Age for Manufacturing Small- and Medium-Sized Enterprise Firms

Finally, question 5 queried how does the financial performance of older manufacturing SME firms compare to the financial performance of younger manufacturing SME firms when both invest in combined social and environmental CSR?

Similar to the findings for service sector SMEs, there was no difference in the financial performance indicator scores of older U.S. manufacturing SMEs and those of younger manufacturing SMEs reporting substantial combined CSR. Consequently, the notion that the advantages to CSR from greater operationalization, dependable and

consistent income, and improved images as a result of firm ageing (Badulescu, Badulescu, Saveanu, & Hatos, 2018) was not supported as measured by financial performance outcomes. There were no studies found that specifically related CSR activities, firm age, and financial performance for US manufacturing sector firms. The stated service sector implications were also applicable to the manufacturing sector findings. That is, CSR investments may possibly impact financial performance relatively soon after they are operationalized and, over time, minimum improvement in financial performance is realized, possibly due to minimum increases in combined CSR activities.

Theoretical Framework of the Study and Research Findings

As was described in Chapters 1 and 2, over the years, the emphasis on the ethical foundation of CSR has essentially shifted to corporate sustainability and social performance and this shift has gain prominence in defining CSR (Moura-Leite & Padgett, 2011). CSR is now more commonly characterized as the approach businesses pursue in attaining economic, social, and environmental goals whilst concurrently tackling the concerns of both shareholders and stakeholders (UNIDO, 2018). Stakeholder theory holds that firms must seek a balance between stakeholder claims and business interests (Freeman, 1984; Russo & Perrini, 2010). In addition, stakeholder theory serves as the leading impetus for the immersion of SME firms in CSR beyond legal obligations (Perrini, 2006). An understood implication of stakeholder theory was that focusing on stakeholder interests would give rise to competitive advantages, including improved financial performance (Gbadamosi, 2016). However, Perrini argued that Social Capital theory was more suitable than Stakeholder theory for a richer comprehension of the CSR-

SME relationship. Spence et al. (2003) apprised that SME firms owed their existence to comprehensive interactions with their social and economic circumstances. Social capital entails the elements of reputation, trust, legitimacy, norms, and networking, which drive SMEs to CSR involvement (Perrini, 2006; Putnam, 2000). Both stakeholder and social capital theories guided this research on the effects of CSR activities on financial performance for various SME firms and the subsequent implications of the findings.

Interpretation of study findings through stakeholder theory. Question 1 involved social CSR activity, financial performance, and SME business sector. The social CSR elements, community, workplace, and customer represent both primary (employees, customer) and secondary (community) stakeholders. The study findings uncovered only 26% of the total sample reported substantial community CSR, while 96% reported substantial workplace and substantial customer CSR efforts respectively. U.S. SME firms appeared to focus considerably more on primary stakeholders than secondary stakeholders. A possible rationale for this finding was the ease of perceptible and direct reaction gained from primary stakeholders resulting from their CSR endeavors. The findings also revealed a significantly greater mean financial performance indicator scores for service SME than manufacturing SME firms for substantial workplace and substantial customer CSR activities. Service sector firms also seemed to benefit more financially than manufacturing sector firms when conducting substantial community CSR although not significantly. Moreover, it appeared CSR's influence on employee attraction, motivation, and retention was significantly impactful on financial performance. Therefore, for service sector SME firms, which were able to realize improved financial

performance while engaging stakeholders, it appeared stakeholder theory was well supported. However, for manufacturing sector SME firms, which reported unimproved financial performance despite substantial stakeholder engagement, stakeholder theory appeared not to be supported. This implication appeared to be consistent with the supposition of the advantages service sector firms realize due to social capital and stakeholder factors.

Question 2 engaged environmental CSR pursuits, financial performance, and SME business sector. Environmental CSR endeavors theoretically impact communities at large and communities represent secondary stakeholders. Study findings for substantial environmental CSR suggested, for service sector SME firms, a higher average financial performance score than that for manufacturing sector SME firms. As was the case with question 1, the higher service sector mean financial performance score met the improved financial performance threshold set forth in the study while the manufacturing sector SMEs mean financial performance score for the substantial environmental CSR condition was less than the improved financial performance score threshold. Further, for the substantial environmental CSR factor, study findings suggested a minimally positive impression on financial performance. Again, the potentially positive financial outcome for service sector SMEs indicated stakeholder theory was supported. However, stakeholder theory seemed not to be supported for the manufacturing sector despite a relatively higher percentage of manufacturing firms involved in substantial environmental CSR.

Combined CSR, financial performance, and SME business sector were explored in question 3. The study found a potentially higher but not significant mean financial performance score for U.S. SME firms in the service sector than for the manufacturing sector when they engaged in combined social and environmental CSR. Again, the service sector mean financial performance score signified improved financial performance threshold and the manufacturing sector mean financial performance score did not. For U.S. service SME firm, the finding appeared to be in line with the current interpretation of stakeholder theory. The regression analysis suggested that the substantial combined CSR performance variable was negatively associated with and had no statistically significant predictive influence on financial performance, $p > .05$. This potential outcome appeared to be in contradiction to contemporary stakeholder theory of a resulting competitive advantage from stakeholder engagement.

Questions 4 and 5 related firm age, SME business sector, and combined CSR. The study findings for both service and manufacturing sector SME firms revealed no financial performance advantage for older SME firms while engaged in substantial combined CSR activities. Older SMEs theoretically have a greater opportunity to establish and develop programs that address stakeholder concerns. Likewise, older SME firms have better established reputation, predictable income, and greater CSR operationalization (Badulescu, Badulescu, Saveanu, & Hatos, 2018). However, multiple regression results suggested firm reputation negatively impact financial performance, albeit not significantly, which with the *t*-statistics study findings, appear to contradict stakeholder theory. Nevertheless, the multiple regression results revealed a positive though

insignificant correlation of firm age with financial performance, which seemed in keeping with stakeholder theory. Additionally, although there was no significant difference in financial performance scores between older and younger SMEs of both sectors, the service sector financial performance scores signified improved financial performance while manufacturing sector financial performance scores did not. This finding implied that the relatively closer relationships service SME firms theoretically possess with their stakeholders due to social capital factors may be competitively advantageous.

Interpretation of study findings through social capital theory. For question 1, the findings of statistically significant higher service sector financial performance than manufacturing sector for the workplace and customer social CSR elements suggested social capital influence. Notwithstanding that only 26% of SMEs reported substantial community CSR engagement, service sector SMEs reported improved financial performance while not the case with manufacturing sector SME firms. Torugsa et al. (2013) reported social CSR centers on the general well-being of stakeholders as well as the creation of formalized social interaction between firms and stakeholders. The elements of social capital theory, trust, networking, and the formation of patterns are essential to social CSR. Putnam (2000) contended that networking amid stakeholders and firms cultivated by perpetrators of social capital, was a decisive factor in overall economic prosperity and competitiveness of all parties. The study found that the use of established CSR programing to affect employee attraction/motivation/retention and customer/attraction/loyalty positively impacted financial performance. The study findings aligned with Putnam' (2000) contention and with the assumption of Spence et al. (2003)

that service SME firms have greater opportunities to engage in social capital activities. Given that 96% of sampled SMEs reported substantial workplace and customer CSR activities, social capital theory appeared to be well substantiated.

The findings for question 2, which entailed substantial environmental CSR and financial performance, appeared to be in support of social capital theory. Most of the total SME firms sampled, 60%, reported substantial environmental CSR involvement. However, more of the manufacturing sector SME firms reported substantial environmental CSR, 65%, than that did service sector firms, 57%, yet manufacturing firms did not report overall improved financial performance. Despite a lesser percentage of service sector SME reporting substantial environmental CSR, service sector firms reported overall improved financial performance. This suggested that service sector SMEs maintained some benefit that was manifested in improved financial performance. With the assumption of a social capital advantage to service sector SME firms, the findings appeared to endorse social capital theory.

The question 3 findings further augment social capital theory overall. Of manufacturing sector SMEs, 90% reported substantial combined social and environmental CSR yet on the average reported less than improved financial performance. A lesser percentage of service sector SMEs, 87%, reported substantial combined social and environmental CSR yet with improved financial performance average scores. Like questions 1 and 2, these findings apparently corroborated social capital theory. The multiple regression results for combined social and environmental CSR, however, suggested an overall negative, though, insignificant influence on financial

performance as this study found. This suggestion seemingly represented a contradiction to social capital theory, however, may be an indication of diminishing returns of combining CSR investments reported by Brammer et al. (2006) who concluded that inadequate financial performance was attributed to excellent social performance.

For questions 4 and 5, The study also assumed that SME firms functioning for a longer time have had more opportunity to operationalize elements of social capital than SME firms functioning for a shorter period. Based on the established positive association between CSR and financial performance (Hou et al., 2016), and on social capital elements, older SMEs were expected to be better able to realize improved financial performance than younger SME when they engage in substantial CSR activities. The study implication of no statistical difference between older and younger SMEs for either business sector seemed to undermine social capital theory. However, alternative rationales for the insignificant differences were plausible, including that for U.S SME firms, the level of CSR investments does not substantially change over time and, therefore, firm age could have an insignificant correlation with CSR issues (Trencansky & Tsaparlitis, 2014).

In summary, U.S. service SME firms exhibited significantly higher financial performance than for U.S. manufacturing SME firms when both engaged in substantial workforce CSR and substantial customer CSR. Service sector firms also appear to exhibit higher financial performance when engaged in community, environmental, and combined CSR but to an insignificant level. The social capital theory elements, trust, networking, and pattern formation appeared to be supportive of the financial performance advantage

service sector firms reported over manufacturing sector firms despite similar levels of CSR investments. Additionally, the findings suggested that U.S. SME firms from both business sectors could benefit financially when they leverage their CSR investments to influence employee resources and customer interests. The study found that substantial combined CSR investments appeared to negatively affect financial performance overall, suggesting possible diminishing returns when substantially investing in environmental and social CSR. The study also found no significant differences in financial performances of older and younger SME firms regardless of business sector, suggesting that the influence of CSR investments appears relatively soon, and that U.S. SME firms probably do not systematically modify their CSR investments with time. U.S. SME firms could benefit from monitoring their financial performance indicators when making CSR investment and program modifications.

Limitations of the Study

This study had important limitations. Given that this study was focused on U.S. manufacturing and service SME business sectors, the results should not be generalized beyond the United States and its territories. Additional limitations are discussed further.

First, the intent of the study was to obtain upwards of 79 SME responses per business sector with a minimum of 50 total responses. Ultimately there were only 20 manufacturing and 30 service sector responses obtained, which brought in to question the validity of the study results. Additionally, those criteria for the individual hypotheses further reduced the respective qualified sample size, which further impacted the findings' validity. Ideally, obtaining larger sample sizes would yield smaller standard errors. As

was described in Chapter 3, typically for CSR-financial performance-SME studies, total sample sizes averaged 121. However, most were meta-analyses and utilized secondary data sources, not surveys. Frankfort-Nachmias and Leon-Guerrero (2015) recommended a sample size of 50 or more for quantitative empirical studies. Sweeney (2009) reported that questionnaire surveys suffered from low response rates, especially when researching CSR and SME firms. Realizing a larger sample size would have resulted in increased cost beyond this study's financial constraints. Consequently, a sample size of 50 constituted a limitation to the generalizability of the study inferences.

Second, the use of questionnaire survey as a data collection method to sample exclusively business management further limited the validity of the study. Specifically, the concerns due to responder biases were salient. As was discussed in Chapter 2, socially responsible businesses are more likely to respond to survey requests for participation than those that are less socially responsible, and those socially responsible firms are more likely to respond positively to social issues than factually (Galant & Cadez, 2017). This study's findings, however, indicated that service and manufacturing SME firms reported substantial CSR involvement to a similar extent. The goal of this research was to conduct a comparison of business sector SME firms that substantially engaged in the respective elements of CSR, not specifically a comparison of the level of CSR. However, an additional data source from multiple and varied stakeholders would have improved the reliability of the study findings. Study constraints precluded such options and, therefore, represent a limitation of the study.

Third, the use of a perception measurement instrument rather than objective measurements to assess CSR investments and financial performance, introduced matters of findings validity. Disadvantages of employing solely perceptual measures, as Ellinger et al. (2002) reported, included nonresponse bias and missing data or uncompleted surveys. The response rate for the study was only 1.02 %, far lower than the 35% expected. Also, data collection took place during the summer months, which further hindered the response rate. Nevertheless, SME firms' inconsistent reporting of CSR and financial performances warranted the approach taken and the time and financial constraints restricted the multiple measurement option.

Fourth, the study investigated a longitudinal component of the financial performance and combined CSR investment relationship within business sectors without accounting for the longitudinal contribution of the individual CSR elements. This situation impacted the generalization of the study findings. The study results reflected substantial combined social and environmental CSR involvement of older and younger SME firms and their corresponding resulting financial performance. However, the study findings could have differed if individual CSR elements of older and younger SME were evaluated in the same context. Again, the constrains of the study limited the scope of this aspect of the research.

Fifth, the level of the CSR operationalization was not independently investigated and, therefore, constituted a limitation of the study. Research questions 4 and 5 assumed that older SME firms had more opportunity to operationalize their CSR programing than younger SME firms (Badulescu, Badulescu, Saveanu, & Hatos, 2018). Also, there was

the assumption that service and manufacturing SME firms similarly operationalize CSR initiatives in a similar scope over time. Verification of these notions was not conducted independently in this study, which may impact the validity of the findings and their implications.

Sixth, the study initially intended to directly test the research hypotheses, which entailed the comparisons of the average number of the SME firms respective of the business sectors and CSR elements. However, an evaluation of average number was not easily conducted. Hence, hypotheses were indirectly tested via comparisons of mean financial performance scores. This correlation was not independently confirmed and therefore deemed a limitation of the study.

Finally, this study did not accommodate SME firms that self-identified as both service and manufacturing companies. For the purposes of this study, those firms were classified as solely manufacturing sector firms, which therefore, affected the generalization and validity of study results. A separate classification for SMEs of multiple sectors may have contributed to greater validity of the findings. However, the addition of a multiple sector variable would have expanded the scope and impinge on the constraints of the study. Therefore, reclassification of SME firms constituted a limitation of the study.

Recommendations for Further Study

The interpretation of the research findings uncovered several opportunities for further investigation. Recommendations were made in the context of SME leadership and CSR investigators, given the goal of this study. Again, the study's goal was to inform

U.S. SME leadership and the CSR community regarding CSR investment effectiveness as evaluated by financial performance. These recommendations include actions SME leaders could take to optimize their CSR strategies.

Recommendations: Service Sector Firms

The study findings revealed service sector SME firms experienced improved financial performances when conducting social CSR and environmental CSR. Social capital opportunities involving established trust, networking, and the creation of relationships with stakeholders, which are key to social CSR, may have afforded U.S. service SME firms a financial performance advantage. However, overall, combined social and environmental CSR seemed to negatively impact financial performance. Investigation into whether service SME firms exclusively experience negatively impacted financial performance while engaged in combined CSR might further inform service SME leaders regarding the limitations of CSR investments. Likewise, research to assess whether and which elements of social capital might contribute to financial performance outcomes for service sector SME firms exclusively could further expand the CSR literature in business sector operating philosophy. As was previously noted, it is recommended that service SME leaders monitor their financial performance indicators as they conduct or modify their CSR programs to optimize resources.

The study findings further suggested that for U.S. SMEs, CSR involvement that influence employee attraction, motivation, and retention, and customer attraction and loyalty positively impact financial performance. Presumably the CSR image of the SME firms had some influence in relationships with employees and customers. However, the

study suggested that firm reputation could be negatively associated with financial performance. Further research on the impact of CSR reputation on human resource issues for U.S. service SME firms that may not necessarily report their CSR activities to rating services could provide SME leaders with perspective on the extent of the established advantages of CSR endeavors. Given the perceived social capital advantage service sector firms experience, it is recommended that U.S. service sector SME leadership leverage this reported advantage by highlighting their CSR ventures in human resource endeavors and customer relations. An investigation into the effectiveness of this proposed action specifically for U.S. service sector firms through the lens of social capital theory could inform both SME management and CSR researchers.

Recommendations: Manufacturing Sector Firms

The study suggested that U.S. manufacturing sector SME firms, despite relatively similar levels of social CSR participation and a slightly higher level of environmental CSR participation than service sector firms, did not experience, on average, improved financial performance. This finding suggested that manufacturing SME firms engaged in substantial social and environmental CSR efforts may not be operating optimally from a financial perspective. Williamson, Lynch-Wood, and Ramsay (2006) reported that manufacturing SME firms are driven by business performance and regulatory considerations in environmental endeavors. It was not determined in this study whether the sampled SME firms invested in substantial environmental CSR beyond regulatory requirements and to what extent. Therefore, it is recommended that manufacturing SME leaders seriously consider their environmental CSR philosophies when expanding beyond

regulatory requirements if financial or competitive advantages are in contention. Further investigation into the environmental CSR attitudes of U.S. manufacturing SME leadership with respect to moralistic versus financial motivations, the impact of the respective environmental regulations, and in the context of social capital could inform US-based manufacturing SME leaders and CSR researchers alike. An identified limitation of this study was the minimal sample size overall of manufacturing SMEs and particularly of younger manufacturing SME that engaged in substantial combined CSR activities, which affected the validity of the findings. Further investigation into the relationship of manufacturing sector SMEs and firm age with respect to CSR and financial performance is warranted. Finally, some firms in this study self-identified as operating in both service and manufacturing sectors, which was deemed a limitation. An investigation involving multiple sector SMEs and the CSR-financial performance relationship would provide greater specificity and contribute to greater validity of the findings.

Recommendations: Corporate Social Responsibility Community

In Chapter 2, several gaps in the literature were identified. First, most of CSR-financial performance empirical studies found were correlative in nature. This study explored a comparative approach with supplementary regression analyses. The results were significant for service sector U.S. SMEs with respect to workplace and customer CSR effectiveness over manufacturing sector U.S. SMEs as measured by financial performance and suggested the advantages of social capital. Additional comparative research on the effectiveness of CSR in different U.S. SME business sectors, focusing on

the specific elements of social capital could further inform the CSR community. Second, the literature underrepresented studies relating to SME firm age, CSR investments, and financial performance. The current study found no statistical difference between older U.S. SMEs and younger U.S. SMEs regardless of business sector. The findings suggested SMEs receive relatively quick benefits from CSR investments and make minimal changes in the level of CSR investment with time. Further research on the philosophy of SME management toward altering CSR systematical over time would expand SME age-CSR-financial performance understanding. Third, most existing empirical research into the CSR-financial performance relationship relied on reputation rating systems to assess CSR effectiveness. Because SMEs do not routinely participate in CSR rating programs, this study employed solely a survey questionnaire, which had inherent disadvantages previously noted. Research into the development of CSR assessment models for SMEs, leading to greater validity of results, could enhance the understanding of SME-CSR-financial performance relationships. Finally, the literature review revealed stakeholder theory was the dominant theme applied in CSR studies. This study also applied social capital theory in conjunction with stakeholder theory. Further research contextualized through the elements of social capital could help bridge the gap in the social performance literature.

Implications for Social Change

The findings of this study have implications for positive social change. The generation of positive social change was an essential objective of this research. Those implications are conveyed in the perspective of SME leaders and the CSR scholars.

Positive Social Change: Small- and Medium-Sized Enterprise Leadership

As was reported in Chapters 1and 2, SME firms comprise the vast majority of U.S. enterprises and are the largest public employer (Ward, 2017). Given the pervasiveness of SMEs and the society's dependence on them, the continued sustainability of SME firms has positive social implications. SME leaders individually establish CSR commitment levels in an ad hoc fashion and their major constraint is resources (Sen & Cowley, 2013). The CSR motives and fiscal vulnerability of SME firms are critical decision-making considerations in the effort to improve triple-bottom-line management.

This study uncovered that U.S. SME leaders should consider disconnecting and formalizing their CSR endeavor into elemental components, community, workplace, customer, and environmental, and monitor each with respect to financial outcomes. For U.S. service sector SME leaders, improved business sustainability may well be achieved with substantial CSR investments in workplace and customer engagement programs. Also, continued development of social capital aspects, trust, networking, and pattern formation with stakeholders may add to business sustainability and further contribute positively to society. For U.S. manufacturing sector SME leaders, improved business sustainability and, consequently, a positive social impact might be realized if environmental CSR efforts beyond regulatory requirements are monitored in the context of financial performance. Overall, U.S. SME leadership could further support positive social differences by promoting their CSR investments to potentially motivate and attract valued employee and customer stakeholders. U.S. SME managers harboring reservations

regarding the expansion of CSR ventures due to financial risk aversion may gain from investigations into CSR-financial performance relationships. The study findings serve to inform those U.S. SME leaders to better optimize their CSR investments, leading to or maintain a competitive advantage.

Positive Social Change: Corporate Social Responsibility Research

The findings of this study offered contributions to the CSR literature by addressing identified gaps and suggesting further research on the topic. Chapters 1 and 2 demonstrated underrepresentation of work on SME-CSR-financial performance in the United States, and, specially, the service and manufacturing business sectors. The literature review also revealed most investigations into the firm age-CSR relationship involved major corporations and were performed in Europe. In addition, little study on the SME-CSR-financial performance relationship viewed through the social capital lens was encountered. This study contributed to spanning these gaps by affording insights into the effectiveness of social and environmental CSR investments as measured by perceived short-term financial performance in respective business sectors for US-based SME firms.

The study particularly provided understanding on the comparative effectiveness of community, workplace, and customer components of social CSR and of environmental CSR for U.S. service and manufacturing SMEs. SME firms of both business sector participated substantially more in workplace, customer, and environmental CSR than community CSR, possibly reflecting the most convenient opportunity to interact with stakeholders and establish social capital practices. The implication was an advantage due to social capital elements, trust, networking, and pattern formation for the service firms

over manufacturing firms despite similar levels of CSR participation. The study findings further contributed the literature involving SME firm age, CSR investment, and financial performance by revealing, though not to a significant level, that no financial performance advantage for U.S. SME firms older than 5 years over those 5 years and younger when they are engaged in combined social and environmental CSR. These implications could spur further investigations and contribute the positive social change.

Conclusions

This study revealed higher reported financial performance for U.S. service sector SME firms than for U.S. manufacturing sector SME firms for all evaluated conditions, though, with significance varying with CSR element. Statistically significant financial performance differences between sectors were found for the overall sample of SME firms and for the workforce and customer CSR elements, while insignificant differences were indicated for community, environmental, and combined CSR elements. In addition, community CSR received less investment than workplace, customer, and environmental CSR from both service and manufacturing SME firms, possibly owing to convenience and readily available tangible feedback from their CSR ventures with primary stakeholders. These findings seemingly support both stakeholder and social capital theories and provide insight to U.S. SME leaders of service and manufacturing sectors when making decisions regarding the focus and level of their CSR investment. The findings also apparently supported the study assumption that service sector firms have a greater opportunity to establish closer relationships with stakeholders leading to improved financial performance.

The findings relating to the temporal aspect of this study were similar and consistent for both U.S. SME business sectors. Specifically, the overall finding that older U.S. SMEs exhibited no perceived short-term financial performance advantage over younger U.S. SME firms when conducting combined social and environmental CSR was in keeping with some previous research and was not with others. The implication of these findings for SME-CSR research is that a reevaluation of the assumption of greater CSR involvement as firms age may be beneficial in the case of US-based SME sectors.

In conclusion, the mixed level of significance in the findings of greater financial performance for service SMEs over manufacturing SMEs warrant further research to better support the knowledge for U.S. small businesses conducting socially responsible operations.

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Appendix A: Summary of Research Variables and Corresponding Measures

Research Variables	**Measures**
Community Performance	Q1 = To what extent is your firm donate to charity? Q2 = To what extent are staff members involved in charity volunteer work on behalf of the company? Q3 = To what extent is your company actively involved in a project(s) with the local community?
Workplace Performance	Q4 = To what extent does your organization encourage employees to develop real skills and long-term careers? Q5 = To what extent does your organization ensure adequate steps are taken against all forms of discrimination? Q6 = To what extent does your organization consult employees on important issues? Q7 = To what extent is your organization committed to the health and safety of employees?
Customer Performance	Q8 = To what extent is your company resolved customer complaints in a timely manner? Q9 = To what extent is your organization committed to providing value to customers?
Environmental Performance	Q10 = To what extent is your company involved in Waste Reduction? Q11 = To what extent is your company involved in Energy Conservation? Q12 = To what extent is your company involved in reduction of Water Consumption?
Financial Performance	Q13 = How did the net profits of the firm in 2017 relate to expectations? Q14 = How did the sales of the firm in 2017 relate to the previous year? Q15 = How did sales of the firm in 2017 relate to expectations?
Employee Attraction/Motivation/Retention	Q16 = Please indicate the impact of CSR on employee recruitment. Q17 = Please indicate the impact of CSR on employee retention. Q18 = Please indicate the impact of CSR on employee motivation.
Customer Attraction/Loyalty	Q19 = Please indicate the impact of the CSR activities of your firm on customer loyalty. Q20 = Please estimate the percentage of new sales in 2017 came about as a result of recommendations from your current customers. Please estimate the percentage of sales in 2017 that normally were from repeat customers Q21 = Please estimate the percentage of sales in 2017 that normally were from repeat customers Q22 = Please estimate the percentage of current customers you would describe as loyal customers.
Firm Reputation	Q23 - 28 = Please indicate the rating you believe OTHER FIRMS IN YOUR SECTOR would give your firm on the following criteria.
Access to Capital	Q29 = Please indicate the extent to which you agree with the following statement “This firm easily obtains finance from banks and other lending institutions” Q30 = Please indicate the extent to which you agree with the following statement “This firm easily obtains finance from investors”
Firm Age	How long has your company been in business?

Appendix B: Permission to use Sweeney Questionnaire Survey Instrument

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Re: Permission to use Sweeney Questionnaire Survey Instrument

Mon, Sep 3, 2018 2:00 am

Yvonne Desmond [redacted]

To Revlon Williams [redacted]

Hi, everything on Arrow is available under a license that allows you to use and repurpose the material as long as you cite the author and the original source so you are free to use it.

Good luck with your research

Sent from my iPhone

Appendix C: Questionnaire Survey Instrument

Independent Variables
Social CSR Performance Assessment:
Community Performance:
Question 1: To what extent does your firm donate to charity (ranging from 1 to 5 where 1 = Not at all and 5 = To a great extent)?

Question 2: To what extent are staff members involved in charity volunteer work on behalf of the company (ranging from 1 to 5 where 1 = Not at all and 5 = To a great extent)?

Question 3: To what extent is your company actively involved in a project(s) with the local community (ranging from 1 to 5 where 1 = Not at all and 5 = To a great extent)?

Workplace Performance:
Question 4: To what extent does your organization encourage employees to develop real skills and long-term careers (ranging from 1 to 5 where 1 = Not at all and 5 = To a great extent)?

Question 5: To what extent does your organization ensure adequate steps are taken against all forms of discrimination (ranging from 1 to 5 where 1 = Not at all and 5 = To a great extent)?

Question 6: To what extent does your organization consult employees on important issues (ranging from 1 to 5 where 1 = Not at all and 5 = To a great extent)?

Question 7: To what extent is your organization committed to the health and safety of employees (ranging from 1 to 5 where 1 = Not at all and 5 = To a great extent)?

Customer Performance Assessment:
Question 8: To what extent is your company resolved customer complaints in a timely manner (ranging from 1 to 5 where 1 = Not at all and 5 = To a great extent)?

Question 9: To what extent is your organization committed to providing value to customers (ranging from 1 to 5 where 1 = Not at all and 5 = To a great extent)?

Environmental Performance Assessment:
Question 10: To what extent is your company involved in Waste Reduction (ranging from 1 to 5 where 1 = Not at all and 5 = To a great extent)?

Question 11: To what extent is your company involved in Energy Conservation (ranging from 1 to 5 where 1 = Not at all and 5 = To a great extent)?

Question 12: To what extent is your company involved in reduction of Water Consumption (ranging from 1 to 5 where 1 = Not at all and 5 = To a great extent)?

Dependent Variable
Financial Performance Assessment
Question 13: How did the net profits of the firm in 2017 relate to expectations (ranging from 1 to 5 where 1 = Not at all and 5 = To a great extent)?

Question 14: How did the sales of the firm in 2017 relate to the previous year (ranging from 1 to 5 where 1 = Not at all and 5 = To a great extent)?

Question 15: How did sales of the firm in 2017 relate to expectations (ranging from 1 to 5 where 1 = Not at all and 5 = To a great extent)?

Endogenous Variables
Employee Attraction/Motivation/Retention
Question 16: Please indicate the impact of CSR on employee recruitment (ranging from 1 to 5, where 1 = Strong negative impact and 5 = Strong positive impact).

Question 17: Please indicate the impact of CSR on employee retention (ranging from 1 to 5, where 1 = Strong negative impact and 5 = Strong positive impact).

Question 18: Please indicate the impact of CSR on employee motivation (ranging from 1 to 5, where 1 = Strong negative impact and 5 = Strong positive impact).

Customer Attraction and Retention
Question 19: Please indicate the impact of the CSR activities of your firm on customer loyalty (ranging from 1 to 5, where 1 = Strong negative impact and 5 = Strong positive impact).

Question 20: Please estimate the percentage of new sales in 2017 came about as a result of recommendations from your current customers.

1. 0-20%
2. 21-40%
3. 41-60%
4. 61-80%
5. 81-100%

Question 21: Please estimate the percentage of sales in 2017 that normally were from repeat customers.

1. 0-20%
2. 21-40%
3. 41-60%
4. 61-80%
5. 81-100%

Question 22: Please estimate the percentage of current customers you would describe as loyal customers (have a positive attitude about the company, recommend the firm/products to others and make repeat purchases).

1. 0-20%
2. 21-40%
3. 41-60%
4. 61-80%
5. 81-100%

Reputation

Question 23 - 28: Please indicate the rating you believe OTHER FIRMS IN YOUR SECTOR would give your firm on the following criteria (ranging from 1 to 5, where 1 = Poor Performance and 5 = Excellent Performance).

a. Financial performance
b. Long-term investment value
c. Quality of products and services
d. Quality of management
e. Environmental responsibility
f. Community responsibility

Access to Capital

Question 29: Please indicate the extent to which you agree with the following statement "This firm easily obtains finance from banks and other lending institutions" (ranging from 1 to 5, where 1 = Strongly Disagree and 5 = Strongly Agree).

Question 30: Please indicate the extent to which you agree with the following statement "This firm easily obtains finance from investors" (ranging from 1 to 5, where 1 = Strongly Disagree and 5 = Strongly Agree).

Company Information:

According to the NAICS definition of a Manufacturing sector, are you a manufacturing firm?

- Yes
- No

According to the NAICS size standard for Manufacturing, are you a small business?

- Yes
- No

According to the NAICS definition of a Service sector, are you a service firm?

- Yes
- No

According to the NAICS size standard for Service, are you a small business?

- Yes
- No

Are you a senior manager or owner of the company?

- Yes
- No (if no, please provide your position _____)

If you are in the manufacturing sector, what is your primary type of manufacturing?

_____

If you are in the service sector, what is your primary type of service provided?

_____

How many employees does your company employ?

Less than 10
10-50
51-250
251-500
Greater than 500

How long has your company been in business?

1. Less than 1 year
2. 1-2 years
3. 3-5 years
4. 6-10 years
5. Over 10 years

How long has your company been conducting CSR activities?

1. Less than 1 year
2. 1-2 years
3. 3-5 years
4. 6-10 years
5. Over 10 years