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Corporate Social Responsibility: Small Businesses and Small Towns

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Corporate Social Responsibility Small Businesses and Small Towns

Terry L. Besser, Ph.D. and Susan K. Jarnagin, Ph.D.

HISTORY OF CORPORATE RESPONSIBILITY PROJECT

Working Paper No. 5



CENTER FOR ETHICAL
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The CEBC History of Corporate Responsibility Project

In mid-2008, the Center for Ethical Business Cultures (CEBC) launched a multi-year project to research and write U.S. and global histories of corporate responsibility. Funding for the project flows from a major gift by Philadelphia entrepreneur Harry R. Halloran, Jr. to the University of St. Thomas. This grant followed earlier gifts by Mr. Halloran to CEBC to conduct preliminary research and feasibility studies beginning in 2004 and convene a national consultation among scholars and practitioner in November 2007.

OUR APPROACH

The idea of corporate responsibility is not new; antecedents lie in the 18th and 19th centuries. The 20th century, and particularly the last 60 years have witnessed dramatic social, economic, environmental and regulatory challenges to business. Two volumes are envisioned: an initial volume focused on the U.S. experience; a subsequent volume focused on the emergence of corporate responsibility in countries and regions around the globe. Pursuing a “double helix” approach, the project explores the interweaving of the history of thinking about business responsibilities and the history of business practices. The interplay of societal change and the emergence of the modern business corporation provide the stage for exploring questions of purpose and responsibilities of business.

To tackle the U.S. history, CEBC engaged a team of distinguished scholars and supports their work with a series of working papers and interviews with experienced business practitioners.

THE HALLORAN PHILANTHROPIES

The Halloran Philanthropies, founded by Philadelphia entrepreneur Harry R. Halloran, Jr., is guided by Halloran’s belief that business is one of the most powerful drivers for positive social change. Halloran is the Chairman and CEO of American Refining Group, Inc., and founder and CEO of Energy Unlimited, Inc., both headquartered in Pennsylvania.

THE CENTER FOR ETHICAL BUSINESS CULTURES (CEBC)

The Center for Ethical Business Cultures (CEBC) at the University of St. Thomas is a 501(c)3 nonprofit organization situated in the university’s Opus College of Business. Working at the intersection of the business and academic communities, CEBC assists business leaders in creating ethical and profitable business cultures at the enterprise, community and global levels. The center was founded by Minnesota business leaders in 1978. Please visit www.cebcglobal.org for more information.



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The views expressed in this CEBC History of Corporate Responsibility working paper are those of the author(s).

Overview

This paper is a review of previous scholarship on the social responsibility of small businesses in small towns with the addition of findings from recent research on the subject conducted by the authors. We focused on the responsibility of businesses to work for community betterment which includes a wide variety of charitable and social causes. The extant literature and new research lead to several general conclusions. First most small business owners believe they have an obligation to work for community and societal betterment, but it is proportional to their size compared to other businesses in the same location. While the values of top management have a significant impact on the social performance of businesses of all sizes, in small businesses, social performance is more directly and personally shaped by the owners than is the case in large businesses. Small business owners are more socially and economically embedded within the community in which they operate than are managers of big businesses. Moreover, in small towns, they are more visible than similarly sized businesses in metropolitan locations. For this reason, size of town is a key intermediary variable between size of business and level of social performance. Partially as a result of their greater embeddedness and visibility, small business owners in small towns are likely to conform to the local patterns of civic engagement. For many of the same reasons, small business owners' social performance is affected by the expectations and prevailing patterns of social performance displayed by members of the business networks to which they belong.

Past research supports the argument that doing good is good for business in large and small firms alike although the relationship is less well documented for small businesses. We expand the research to consider the rewards and penalties of business social responsibility for the business owner personally. This is an important outcome of business social performance for all sizes of business, but for small businesses where owner discretion may be the only factor determining the community involvement of the business, it is critical. We end by advocating for more research attention directed toward small business social performance, the impact of town size on business social performance, and the personal costs and benefits of business social performance for the owners themselves.

Corporate Social Responsibility Small Businesses and Small Towns

Introduction

This paper focuses on business social responsibility as it is manifested by small businesses and businesses in small towns. We use the term “business social responsibility” instead of the more common term, “corporate social responsibility,” in order to expand the frame of reference to all for-profit businesses, not only corporations. The paper is organized as follows. We begin by explaining why small businesses and small towns are important for business social responsibility. We develop a conceptual framework as a way to organize, and provide a vocabulary for, the review of the literature on small town and small business social responsibility that follows. We consider antecedents and consequences of business social responsibility for small businesses and businesses in small towns. Finally, we discuss the state of knowledge on this subject and identify issues for future research.

The Significance of Small Businesses

In the eyes of some scholars and public officials, small businesses are the unheralded dynamos of the U.S. economy and the solid foundation of community philanthropy and leadership, especially in small towns. Small businesses, defined as for profit enterprises with fewer than 500 employees (U.S. Small Business Administration 2009), constitute the overwhelming majority of businesses. They represent 99.9 percent of the 29.6 million businesses in the U.S. (including both employers and non-employers). In 2004, small businesses produced 50.7% of non-farm GDP, represented 99.7 percent of all employer firms, employed just over half of all private sector employees, and paid 44 percent of total U.S. private payroll.¹ While small firms create the majority of the net new jobs, their share of employment remains steady since some of them move out of the ranks of small firms as they grow. In addition to providing employment for a significant proportion of workers, small businesses are leaders in technological innovation in the U.S. They produce 13 times more patents per employee than large firms and their patents are twice as likely to be among the top 1% of the highest impact patents or highest value innovations as the patents generated by larger firms (CHI Research 2003). These accomplishments may explain why 97.3 percent of all identified exporters are small businesses and they produced 30.2 percent of the known export value in FY 2007.

While the numerical dominance and economic contribution of small businesses is fairly well documented (although still under appreciated), their role in civic and philanthropic affairs has received far less attention (Hammann, Habisch, and Pechlaner 2009; Jenkins 2006; Morsing and Perrini 2009; Smith and Oakley 1994; Spence and Rutherford 2004; Thompson and Smith 1991; Wilson 1980). This is unfortunate since, as indicated above, they constitute the vast majority of businesses in small cities and metropolitan areas and are frequently the only businesses in small towns (with population less than 10,000 residents). The greater dependence of small businesses on local business peers, potential employees, government entities, advisors, financiers, and customers partially explains their greater sensitivity to local values and expectations (Jenkins 2009; Russo and Tencati 2009). Communities with a high degree of trust and interaction among residents, where residents frequently work together for the public good will expect higher levels of community involvement from their business sector (Besser and Miller 2001; Besser 2002). Another important motivator of social responsibility is the fact that for many small business operators, the community is not just the place where business is conducted: it is home. Under these circumstances, business owners and managers are more likely to have internalized belief in the “rightness” of getting involved in community affairs and acting for the public good.

Focusing business social responsibility scholarship on large businesses is a significant policy statement in and of itself. It reinforces the power of large businesses to define what business social responsibility means and how it should be accomplished. At the same time, it communicates that small businesses have only minimal social responsibility. Several of the scholars studying the social responsibility of small businesses reinforce this belief contending that small businesses are too powerless and resource poor to be expected to contribute to the public good except in their economic capacity (Chrisman and Archer 1984; Van Auken and Ireland 1982). Others argue that small businesses have a responsibility to contribute to societal betterment, but it is proportional to their size relative to other businesses operating in the same location (Besser 2002; Besser and Miller 2004; Besser and Miller 2001; Longenecker, McKinney,

1 Sources: U.S. Dept. of Commerce, Bureau of the Census, and International Trade Admin.; research by Kathryn Kobe, 2007 (www.sba.gov/advo/research/rs299tot.pdf), and CHI Research, 2003 (www.sba.gov/advo/research/rs225tot.pdf); U.S. Dept. of Labor, Bureau of Labor Statistics.

and Moore 1989; Southwell 2004; Wilson 1980). This perspective suggests that the absolute size of a business matters less than its size relative to other businesses in a location and brings into consideration community embeddedness and social capital variables as possible explanatory factors. In this view, even if the relative powerlessness of small businesses relieved them of social responsibility in global, national, or metropolitan affairs, it does not apply to non-metropolitan or neighborhood locales. In small towns, small businesses are frequently the most powerful actors in the affairs of the community.

The Significance of Small Towns

We need to distinguish between the terms rural town and small town. In common usage, rural refers to a place where the economy is based on agriculture or mining and has a small population (less than 10,000 people). While towns based on agriculture and mining are usually rural, many rural towns are no longer based on these industries. Even in an “agricultural state” such as Iowa, agriculture is the primary industry in only 13 percent of counties (Economic Research Service [ERS] 2004). Therefore, the defining feature of rural communities today is not their economic base, but their small population size and their relative remoteness from metropolitan cities (ERS 2004). According to the ERS (2004), towns with 10,000 or less in population in non-metropolitan counties (counties that contain no cities of 50,000 or more residents) that are outside the influence of a metropolitan area (as measured by commuting to work patterns) are considered rural towns. Small towns on the outskirts of a major metropolitan area are different from rural towns since they are more likely to be influenced by the culture, economy, and government of the metropolitan area. Residents may be more transient and possess less commitment to the town as a community. In this paper, we use a variation of the ERS definition. A small town is an incorporated municipality with a population of 10,000 or less located outside a metropolitan county.

The study of small towns and their economies is a worthy endeavor. First, a significant minority of U.S. citizens live in small towns. In 2000, 27 percent of residents of Midwestern states who live in towns or cities, live in small towns (Johnson 2006). In Iowa, the percentage is higher at approximately 44 percent. Second, if given a choice and the economic opportunity, opinion polls show that a sizeable portion of residents who migrated to metropolitan areas would return to the small town where they grew up and individuals who grew up in more densely populated areas would move to small towns (Brown et al. 1997). However, the choice to remain in or move to a small town is unavailable to many due to the lack of economic opportunities and the diminished infrastructure in small towns.

Goldschmidt (1998) articulates a third reason why the survival and health of small towns is an important matter. He argues that the decline of small towns represents a loss of historic, traditional American values. In his view, the strong social ties associated with life in small towns helps temper individual greed and power with a sense of shared fate among community residents that promotes efforts for the common good. While recognizing the negative qualities associated with small towns, he fears their loss will have a lasting impact on our national character, our ability to engage in civil discourse, and to solve common problems. On another level, the changes occurring in small towns represent an opportunity to learn more about how businesses in the communities most affected by economic restructuring (the industrialization of agriculture, deindustrialization, growth of big box store shopping, and outsourcing of jobs to low wage countries) adjust to these challenges.

Small towns in middle America have not fared well over the last three decades. Population in rural towns in the Great Plains and Corn Belt states has declined while rural coastal and mountain small towns experienced a “renaissance” (McGranahan and Beale 2002; Whitener and Parker 2007). The residents who remain in Corn Belt and Plains’ states small towns are older and must drive longer distances to find employment than people in other locations. Employed residents earn less than their counterparts

in similar industries who live in Midwest cities, who in turn earn less than the average paid across the U.S (Burnett, Besser, and Flora 1998). The sales revenue available to small town retail establishments declined to the point where many owners believe the only option is to shut down the business (Social and Economic Trend Analysis 2006). In many rural towns, residents who want to rent a video, eat at a cafe, or buy clothes or hardware have to go to a larger, neighboring town. The loss of medical services, especially severe for obstetrical services, means that small town women find it increasingly difficult to receive prenatal care or give birth to their babies close to home (Iowa Department of Public Health 2004; National Rural Health Association 2006). Due to school consolidation, children in rural towns are less likely to have the opportunity to attend a school in town than a typical city child in the Midwest.

However, this dismal picture masks interesting and important differences among Corn Belt and Great Plains small towns. Some of them demonstrate amazing ingenuity in addressing the challenges they face. These resilient small towns have maintained or improved residents' quality of life, enhanced local amenities, and experienced growth in local, small businesses (Besser forthcoming; Besser, Recker, and Parker 2009). Size of town is a critical component of resilience. Larger small towns, with 3,500 to 10,000 in population, fare better than the smallest small towns, those with less than 1,000 in population. But regardless of size, small towns that are better at working together to solve problems and promote the common good are more resilient than other towns (Besser et al. 2009; Besser 2009). The support and leadership of small business owners and managers is an essential element that distinguishes the resilient small towns from others (Besser 2002; Besser and Miller 2004; Besser and Miller 2001; Tolbert 2005; Tolbert, Lyson, and Irwin 1998).

Definitions: Business Social Responsibility and Business Social Performance

The term responsibility refers to an obligation or a duty. With that in mind, corporate social responsibility (CSR) can be defined as the obligation businesses have to use their slack resources to contribute to societal betterment beyond providing products and services in an economic exchange. However, scholars are typically less concerned in describing or prescribing businesses' obligations toward society than in understanding their behavior, i.e. in understanding corporate social performance (CSP). CSP is less normatively charged than social responsibility and can encompass social responsibility. Thus, Wood defines CSP as "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships" (1991:693).

Since our focus is on the social performance of small businesses in small towns, we limit consideration of CSP to the support businesses provide for local community betterment. A wide range of causes (e.g. charitable, arts, civic, environmental, and educational) are included in this focus so long as they contribute in some way to the local quality of life. The "corporate" adjective for social responsibility and social performance excludes some small businesses that are not corporations and in common usage, is interpreted to mean large businesses. Therefore, we prefer the terms business social responsibility (BSR) and business social performance (BSP) as they are more inclusive of all for-profit enterprises regardless of their legal status and do not carry the negative connotation sometimes associated with the corporate adjective. In this paper, we define BSP as the actions of businesses (policies, programs, and observable outcomes) intended to promote societal betterment. The specific way businesses choose to contribute to social betterment is discretionary and assumes that they first meet their economic and legal responsibilities (Carroll 1979; CED 1971).

The Social Responsibility and Social Performance of Small Businesses

Small businesses differ in fundamental ways from large businesses. The overwhelming majority of small businesses have fewer than 20 employees. This fact alone suggests that understanding the antecedents and consequences of the social performance of large firms may not be very insightful for understanding the social performance of small firms. Previous research leads us to expect that three dimensions; formalization, resource slack, and owner/manager discretion, distinguish how BSP is actualized in large businesses and small businesses. We consider each in turn below.

Formalization: Small businesses are unlikely to have designated staff devoted to community relations or philanthropy or formal policies governing social performance (Spence and Rutherford 2004; Thompson, Smith, and Hood 1993). In large businesses, employees whose sole or primary responsibility is to handle the business' community and philanthropic affairs are usually professionally trained for those responsibilities, belong to associations with other philanthropic officers, and interact regularly with representatives of charitable and community organizations who seek the company's largesse. In large firms, there are official policies guiding BSP activities which are shaped by the professional philanthropic employee(s). Philanthropic officers know about the "best practices" and the common practices of other firms through their associations and training, and will influence their employer to comply with these normative expectations. Owners and top managers still set overall social performance policies (Buchholtz, Amason, and Rutherford 1999; Useem and Kutner 1986), but are removed by several layers of personnel from the day to day implementation of the firm's social performance policies. In small businesses, the influence of the owner on BSP is more direct, less influenced by professional philanthropic expectations, and more susceptible to the norms present in the local community culture (Besser and Miller 2001; Besser 2002; Hammann, Habisch, and Pechlaner 2009; Jenkins 2009; Spence and Rutherford 2004).

Resource Slack: Another way that size alone differentiates the BSP in small businesses from the BSP in large businesses is regarding the amount of resource slack available for community betterment causes. Resource slack refers to the employees, revenue, services, facilities, and products that can be spared at any given time from the economic functions of the business. Owners of small businesses with one or two employees and the self employed may not be able to attend community meetings or sit on the board of charitable organizations because they cannot spare the time from the business. Their profit margin may be so low that they cannot allocate funds for philanthropic or community contributions. In contrast, large companies are thought to have sufficient resource slack to implement BSP policies if they so choose (Johnson and Greening 1999; Lepoutre and Heene 2006). This view is illustrated by a statement made by a business executive interviewed by Besser (2002:96). "One reason I've been able to be involved [*in community causes*] as much as I have is that I'm the CEO of a company that's large enough to feed my habit."

Some scholars support the notion that the minimal resource slack associated with small businesses means they have no social responsibility beyond complying with the law and being ethical (Chrisman and Archer 1984; Wilson 1980). However, the few studies that tested this assumption found that owners and managers of small businesses, especially those in small towns, do not agree. Chrisman and Fry (1982) in a study of attitudes among the general public and small business owners concluded that small business owners and managers believe they have the same social responsibility as the owners of large businesses. Similar findings were reported from a sample of small and medium sized enterprises (SMEs) in the U.K. (Southwell 2004) and among U.S. entrepreneurs (Peterson and Jun 2009). Besser (2002) elaborated these conclusions in her summary of interviews with 60 small business owners and community leaders. The common sentiment among this group was that small businesses have a responsibility to contribute to community betterment, but it is in proportion to the resource slack they possess compared to the bigger businesses in the community.

Perhaps a better way to determine the level of commitment to social responsibility among small business owners is to examine their behavior, or their business social performance. Research consistently shows that larger companies donate a larger percentage of their before tax revenue to charitable causes (Brammer and Millington 2006; Building Business Investment in Community 2002; Kedia and Kuntz 1981; Maaß 2004; McElroy and Siegfried 1985). Even among small businesses, differences in size account for a significant portion of the variation in BSP (Lepoutre and Heene 2006; Niehm, Swinney, and Miller 2008). But Brammer and Millington (2006) argue that differential resource slack may account for less of the variation in BSP than the fact that larger businesses are subject to more public and stakeholder scrutiny than smaller businesses. To complicate the matter more, small firms are less likely than bigger businesses to keep track of and report their charitable deductions (Building Business Investment in Community 2002; Burlingame and Kaufman 1995; Maaß 2004; Martin 1985; Thompson et al. 1993) and small business owners/managers are more likely to provide leadership and volunteer their time than donate money for community betterment causes (Besser 2002; Burlingame and Kaufman 1995; Maaß 2004; Madden, Scaife, and Crissman 2006).

The size of the town in which businesses operate may play a role in how size impacts BSP especially if, as Brammer and Millington (2006) claim, visibility is at least as important as resource slack in predicting BSP. The actions of even the smallest businesses are difficult to conceal in small towns. In Besser's (2002) comparison of BSP in cities and towns of various sizes, resource slack (as measured by owner perceived business success and expansion plans) was a better predictor of BSP than business size (number of employees) in the metropolitan cities. The businesses providing the highest levels of community support and leadership were ones with a combination of more resources and smaller size. In small towns, however, bigger businesses and those with greater resource slack contributed more to community betterment than other businesses. In other words, in small towns bigger businesses contribute more regardless of their resource slack, and firms with more resource slack contribute more regardless of their size. These findings support the notion that visibility is an important factor in BSP, but also that town size influences the relationship between BSP and its antecedents. We will examine the interaction of community culture and BSP in a following section.

Managerial Discretion: Previous research suggests that resource slack and larger size are important preconditions for BSP, but they are not sufficient. The values of the top decision maker distinguish equally situated firms that provide BSP from those that do not. This finding applies to large businesses (Buchholtz et al. 1999; Useem and Kutner 1986) and small businesses alike (Baden, Harwood, and Woodward 2009; Besser 2002; Burton and Goldsby 2009; Hammann, Habisch, and Pechlaner 2009; Spence and Rutherford 2004; Thompson et al. 1993). If the owner/manager believes that working for community betterment is the right thing to do, or believes it will help the business' bottom line in the long run, and there is sufficient resource slack, the social performance of his/her business will be greater. This view is illustrated with the following comment from a small town bank president.²

We think it's important that our people are visible in the community. Selfish reasons I guess. We like our people to rub shoulders with other people in the community and be active. We hope that pays dividends for the bank in the long run. That people would like to do business with us because we support the community and become friends with our employees – that's one thing. There's also good citizenship. It's good for our employees to be involved. We think it gives us an edge over a competitor who obviously doesn't think it's important for employees to be involved in the community.”

²The quote is from interviews conducted in 2010 with a random sample of business owners and top managers in small Iowa towns.

Spence and Rutherford (2004) conducted interviews with owners of SMEs in the U.K. and heard similar justifications for BSP. One business owner stated:

“I do a lot of work and I spend a lot of my time doing voluntary work –(*lists several kinds of volunteer work*). It is important for me to have that balance, and one of the rules of working here is that one day a year, it is not a lot, but one day a year everybody has got to do something else for charity. I don’t care what it is as long as it is something they choose they want to do ... Use the resources, use the facilities and so on but it is important that I and they give something back.” (2004: 48)

Their research led Spence and Rutherford (2004) to categorize the frames used by small business owner/managers to explain their orientation toward BSP. Two of the frames, profit-maximisation priority and subsistence priority were used to justify owners’ social inactivity by emphasizing the economic functions and responsibilities of their business. The socially active frames, enlightened self-interest and social priority, were employed respectively to explain BSP as a way to enhance business success or as a moral imperative. The statement above from the bank president illustrates the enlightened self interest frame and the quote from Spence and Rutherford illustrates the social priority orientation.

The role of owner discretion in shaping the BSP of large businesses may be less direct and less personal due to the greater formalization present in larger businesses. Among German companies, Maaß (2004) discovered that small companies were significantly more likely than large companies to indicate their BSP resulted from the “employer’s personal interests”. Another difference is that the owners of small businesses are more likely to be socially embedded in the local community than the owners and top managers of large businesses. We will elaborate in the following section the role of community culture in influencing BSP. Here we consider how the personal characteristics and motivations of the owners of small businesses affect the social performance of their businesses.

In the general population, a college education is associated with higher rates of voluntarism, civic engagement, and charitable donations (Hodgkinson 1995; Smith 1994; Verba, Scholzman, and Brady 1994). It is not surprising then that small businesses owned by the college educated have higher levels of BSP than other businesses (Besser 2002; Besser, Miller, and Perkins 2006). Findings about the role of gender and age on volunteering, community involvement, and charitable giving are mixed depending upon the recipient of the largesse (Hodgkinson 1995; Smith 1994; Wilson and Musick 1997; Verba, Scholzman, and Brady 1995). Women provide more informal care and support. Men are more likely to volunteer and provide donations through formal venues such as civic and work related organizations (Wilson and Musick 1997). Putnam (2000) argues that the greater civic engagement (voting, serving in public office, belonging to civic organizations, and community involvement) of older residents is really a cohort effect of the “civic generation” and not an age effect. Thus there is no theoretical or empirical basis for anticipating that the gender or age of business operators would impact their business social performance.

Little is known about the BSP of small businesses owned by members of ethnic and racial minority groups. The meager evidence available focuses on ethnic businesses. It concludes that Cuban-American, Korean-American, Chinese-American, and East Indian-American small business owners express a high level of commitment to and support for their ethnic community, but an absence of interest in general community betterment causes (Birley 1985; Frederking 2004; Portes and Sensenbrenner 1993; 2002; Rajman and Tienda 2000; 2003). The recent dramatic increase in Latino/a population in some small towns in the Midwest and Plains states has brought with it the promise of economic revitalization for those towns (Grey, Rodriguez, and Conrad 2004; Johnson and Strange 2007). Accompanying the growth in Latino/a population has been an astonishing increase in Latino/a owned businesses in these

states. For example, from 1997 to 2002, the number of Latino/a owned businesses in Iowa grew by 193%, in Kansas by 629%, and in Nebraska by 529% (U.S. Census Bureau 2009).

Occupying empty storefronts, providing a wider range of products and services than previously available, and enriching the tax base are important contributions to small town development. However, small town Latino/a businesses are unlikely to contribute to the community beyond these economic benefits, at least in the near future. In contrast to other ethnic groups like Koreans or Cubans, Latino/as are not an homogeneous group and do not recognize a shared ethnicity (Besser and Miller 2010). They originate in different countries, different regions within countries, and may practice different religions. Additionally, Latino/a cultural traditions support strong familial bonds and discourage trust relationships with non-family members (Besser and Miller 2010; Grey, Rodriguez, and Conrad 2004; Rajiman and Tienda 2000; 2003). Therefore, Latino/a business owners are less inclined than other small business owners to join community groups, get involved in community projects, or contribute to general community betterment. Finally, given the newness and marginality of many of the Latino/a businesses in small Midwestern towns, their owners do not have the slack resources to contribute to community causes even if they desired to do so.

Other Differences: Our focus in this paper has been on business social performance as it is manifested toward external entities, e.g. communities, charitable causes, and youth projects. For this reason we utilized formalization, resource slack, and managerial discretion to explain how BSP is affected by business size. But, according to research reviewed by Lepoutre and Heene (2006), small businesses are more likely to acknowledge their responsibility toward employees and customers than to the environment, charities, and the community. Southwell (2004) agrees, but cautions that the ethical treatment of suppliers, employees, and customers is perceived by SME owners as integral to the business itself. She explains that philanthropy and community support are considered to be discretionary and as less likely to result in measurable contributions to business success. Also, the personal day to day interaction with suppliers, employees, and customers makes the fair treatment of them more morally compelling to small business owners than the arms length relationships top decision makers at large businesses have with these stakeholders.

Owners and managers of businesses operating in small towns are likely to perceive that relations with the community are as important to business success as is the ethical treatment of suppliers, employees, and customers (Russo and Tencati 2009). The fact that the community is composed of one's suppliers, employees, and customers is more apparent. The moral distinction between treating employees ethically and providing new playground equipment for the city park frequented by employees' children is less clear. The greater social embeddedness of business owners in small towns may make support for the community as personal and morally compelling as the ethical treatment of suppliers, customers, and employees.

To summarize the sections above, most small business owners believe they have an obligation to work for community and societal betterment, but it is proportional to their size compared to other businesses in the same location. The kind of BSP offered by small businesses is likely to differ from what is provided by big businesses. They are more likely to furnish leadership and in-kind donations than monetary contributions. Small businesses generally recognize their responsibilities to employees, customers, and suppliers as being more important than their responsibility to external entities. But this attitude is influenced by the value orientation of the owner/manager and by the size of town in which the business operates. While the values of top management have a significant impact on the social performance of businesses of all sizes, in small businesses, BSP is more directly and personally shaped by the owners than is the case in large businesses. Thus, the social embeddedness of the owner may be a more important predictor of BSP in small businesses than in large businesses.

Community Embeddedness, Social Capital, and Business Social Performance

It is fairly well accepted among scholars today that the economic behavior of business owners and managers is impacted by their social milieu (Granovetter 1985; Johannisson and Ramirez-Pasillas 2002; Portes and Sensenbrenner 1993; Uzzi 1999). A smaller body of literature has used that same logic to consider the role of social groups in influencing the social performance of businesses. Most of the existing research on the topic explores whether and how BSP is affected by local, prestigious business groups or the owner's business peers (Besser, Miller, and Sudaji forthcoming; Besser et al. 2006; Galaskiewicz 1997; Navaro 1988; Useem 1991; Useem and Kutner 1986). We will examine this topic in the next section.

Another intriguing and even less researched subject relates to how communities impact BSP. We posit that place-based communities³ influence small business owners to be more or less socially responsible because they are more embedded socially in their communities than owners and top managers of large businesses. Since most large businesses are multi-site operations, the top decision maker cannot live in all the cities where the business operates. In addition, ownership is usually dispersed among millions of shareholders and top managers are rotated through the business' various locations. As a consequence, the beneficiary of big businesses' support is usually their headquarters' city or national and international philanthropic causes.

In contrast, small business owners are more likely to live in the city or town where they conduct business, especially for those who do business in small towns. It is their home. They are long term residents. Their children attend local schools and play in local parks. Their families personally benefit from safe streets, vital downtowns, and strong civic organizations. The absence of private schools, private recreational opportunities, and gated housing areas in small towns increases the business owner's motivation to work for general community betterment. The managers of big businesses who anticipate staying in a location for a limited number of years are less likely to be personally committed to the long term welfare of the community.

Long term residence in a town is associated with knowing a larger number of other residents, interacting with them in multiple venues (as church members, employees, neighbors, and friends), and knowing more residents beyond the acquaintanceship level. Each relationship represents a potential personal invitation to get involved in a community organization or cause. If the community has a pattern of residents working together to promote community betterment, the more people a business owner knows, the greater the likelihood he or she will be personally invited to get involved in community projects (Besser 1998; Oliver 1984). Moreover, the norms of reciprocity that develop in long term relationships encourage the exchange of favors. A business owner may support a community project championed by a friend in order to repay a debt owed to him or her or for an obligation of a future benefit from the friend. A business leader quoted in Besser (2002:161), summed up how relationships and norms of reciprocity affect BSP. "If a CEO I know comes to me about a project he's endorsing, and that I agree with, and asks me for money to support it, if I can, I probably will support it. I know at some juncture I'm going to want to go to that person's company and ask him/her for support."

This reasoning is supported by research findings. Besser and Miller conducted interviews in 2001⁴ with a national random sample of 715 owners and top managers of businesses with 20 or fewer employees. New

³ We focus on geographically defined communities (called place-based) and not communities organized around interests or Internet generated communities.

⁴ An overview of the research protocol for this study is provided in Miller and Besser 2003 and Besser and Miller 2010.

analysis of these data reveals that indicators of social embeddedness (length of residence and percent of adults in town known by name) are positively associated with both the support and leadership small business operators provide to their community. Similar findings were reported for small businesses in Iowa (Besser 1998; 2002).

Thus far we have considered the embeddedness of the business owner as an individual. However, embeddedness at the business level of analysis is also germane. Businesses are economically embedded in communities to the extent that their stakeholders (customers, suppliers, financiers, and employees) are local. When the majority of a business' stakeholders are local, then the success or failure of the business is inextricable bound to the long term economic vitality of the community. This in turn, is related to the local quality of life (the quality and quantity of public services, amenities, housing, wage and income levels, and population growth). The view that it is in the self interest of businesses to work for community betterment is referred to in the literature as the enlightened self interest rationale (Besser and Miller 2004; Davis and Blomstrom 1971; Keim 1978)

There are two motivations for BSP suggested by the enlightened self interest rationale. The first is the belief that businesses share the fate of the community, and therefore improving the community will contribute to business success. The rationale was articulated by the owner of a construction company in an interview conducted in 2000 by the first author. He said, "Businesses have an obligation to society, but it's not codified. It's in their self interest to contribute. It helps business if the community is strong." The second focuses on the power the community holds over the business due to its dependence on the community. In the second perspective, businesses that comply with local expectations of BSP improve their public image which helps them to retain and attract customers (Mescon and Tilson 1987) and employees (Turban and Greening 1997), please community minded bankers, attorneys, and public officials (Galaskiewicz 1985; Kamens 1985), and be included in lucrative collaborative ventures with local business people (Keim 1978; Galaskiewicz 1985). A small town business owner described how his community sanctions non-complying business owners this way. "All businesses should be involved. I get kind of upset when they don't help out. We blackball businesses that don't get involved. Ninety percent do." (Besser 2002: 162)

One indicator of businesses' dependence on the local community is the percent of their revenue that comes from local customers. In both the study of small businesses in Iowa (Besser 1998; 2002; Besser and Miller 2004) and the national sample of small businesses (described in Footnote 3), the percent of revenue from local customers is negatively associated with leadership and not related to the provision of support for the community. Besser and Miller (2004) explain these counterintuitive findings by developing the concept of risky support. Stated briefly, community leadership and support carry with them the possibility of angering some local residents. If the angry residents are also customers, civic engagement of any kind may jeopardize business success. Therefore, dependence on local customers may actually discourage BSP. We will elaborate this position in the section on the consequences of BSP.

The position developed here suggests that the more socially embedded a business owner is in the community, the more salient the enlightened self interest rationale for BSP will be. Socially embedded small business owners are influenced by their friends and neighbors to comply with prevailing community norms of collective action, for better or worse. If communities have a culture that encourages working together for the common good, it is probable that socially embedded business owners will be involved also. BSP is higher in places with more social capital and a history of effective collective action (Besser 1998; Besser 2002; Besser and Miller 2001; Galaskiewicz 1985; 1997). Social capital is defined by Putnam (1993; 2000) as relationships characterized by trust and norms of reciprocity. Social capital for individuals and communities represents a resource that can be used for collective action aimed at community betterment and personal support and access to information at the individual level.

Using cluster analytic techniques, Besser and Miller (2001) assessed the relationship of embeddedness (measured as attachment to the community in this study), perceived community collective action, and business support for the community. Four categories of small business owners were identified. One category, entitled civic leaders, reported low positive embeddedness in the community and the highest level of community support which exceeded their perception of the prevailing collective action in their community. Another category, called alienated business owners, reported low levels of support for the community, low perceived community collective action, and low embeddedness. The remaining two groups were the “follower” businesses owners. Both follower groups were highly embedded in the community and reported levels of community support that was commensurate with their perception of the collective action in their communities, one high and the other low. These findings suggest a more complicated, nuanced picture of the relationship between the prevailing patterns of community collective action, embeddedness, and BSP. Community social capital does influence BSP and embeddedness is the likely mechanism. However, the civic leader category demonstrates that some business owners are socially responsible in spite of what they perceive to be low community collective action.

Business Networks and Small Business Social Performance

We proposed in the preceding section that community culture, specifically levels of community social capital and collective action, are intermediary variables between business’ embeddedness and social performance. Another intermediary variable is the culture of the networks to which small businesses belong. In the U.S., about half of small businesses belong to a formal business network (Dennis Jr. 2003). We propose that business networks have a stronger influence on small businesses than they do on larger businesses. Managers of large businesses can rely on their greater power to ensure access to information and opportunities and clout with government, but small business owners and managers must rely on the “power of numbers” for similar opportunities and clout (Davis, Renzulli, and Aldrich 2006). These advantages partially explain why network membership is associated with the survival and success of small businesses (Aldrich, Rosen, and Woodward 1987; Corolleur and Courlet 2003; Grabher 1993; Greve and Salaff 2003; Perry 1999). Therefore, given the importance of business networks to small businesses, it is critical to understand their impact on member social performance.

According to Inkpen and Tsang (2005), business networks can be formal (with by-laws and officers) or informal. Formal networks are divided into hierarchically structured and democratic membership organizations. Industry associations and community business groups, such as chambers of commerce, downtown merchants’ groups, and entrepreneur’s clubs, are in the formal, democratic membership category of business networks. Hierarchically structured formal networks include supply chains, joint ventures, and alliances. All formal business networks are alike in that they possess by-laws, mission statements, and leadership structures and work cooperatively to promote the success of their business members by lessening risk and uncertainty (Gulati and Gargiulo 1999).

The culture of business networks consists of values and norms. Values are agreements about what is important and within business networks, they may promote BSP (Johannisson and Ramirez-Pasillas 2002). For example, values expressed in the following mission statements of business networks studied by the first author support social responsibility (Besser et al. forthcoming).

“... we encourage (member businesses) to participate in community development.”

“We provide education to membership so they can guarantee the safety of the general public whenever they .. do their work...”

“Our members work to make (*community*) a healthy, clean, neat place to live.”

By joining a network with social responsibility values such as those represented in the above mission statements, members are making a public statement about their commitment to the values. Business owners who oppose or are indifferent to the values are less likely to join for those reasons.

Norms are expectations and prevailing patterns of behavior. Members influence each other to comply with the network norms of BSP in three ways. First, relationships between members in networks with high prevailing BSP hold the potential to be personal invitations from one business owner to another to support a philanthropic or community cause. Honoring the invitations and complying with expectations is an opportunity to earn the respect and trust of other members. Second, a reputation of trust and respect earned through complying with network norms is likely to be rewarded with access to valuable information and opportunities. Non-compliance will bring exclusion from these informal network benefits. Third, members may model the social performance of prestigious members as a way to nurture relationships that could provide valuable information and opportunities, and as a way to gain the respect and trust of other members.

Past studies support this reasoning by showing an association between network membership and BSP and/or demonstrating how compliance with BSP norms is monitored and sanctioned. Community business networks in the Twin Cities (Galaskiewicz 1997) and in cities and towns in Iowa (Besser 2002), and corporate tithing clubs (Navaro 1988) positively influence businesses to support community philanthropic causes. Supply chain networks positively affect BSP when the hub firm includes environmental and social standards for suppliers (Baden et al. 2009). Two recent articles elaborate the relationship between business networks and BSP. Besser and Miller (2006) in an analysis of data from telephone interviews with a random sample of 460 small business owners in four Midwestern states found that network members were significantly more likely to support and provide leadership for their community than non-network members. However, belief in the enlightened self interest rationale was an independent and equally strong predictor of BSP. The authors concluded that network membership is positively associated with small business social performance and that among members and non-members alike, belief in the enlightened self interest rationale also positively impacts social performance.

In another study, Besser et al. (forthcoming) attempted to determine how the enhanced BSP of network members was influenced by the culture of their network. To address this issue, they analyzed interview data from 898 members of 29 business associations. They discovered that the BSP of members varied significantly in different networks lending credence to the notion that some network cultures are more successful in encouraging the social performance of their members than others. Using multilevel analysis, Besser et al. found that the most important predictor of individual businesses' BSP was the prevailing norms of BSP in their network. Furthermore, prevailing network norms of BSP were more strongly related to members' BSP than the education of the owner, the size and age of the business, whether the business was locally owned, or had a large share its revenue from local customers. The official BSP values which some networks articulated in mission statements or actualized in BSP projects were not significantly related to member BSP. The authors concluded that the behavior of other members of the network is more likely to influence business owners to be socially responsible than the official network pronouncements supporting BSP (Besser et al. forthcoming).

The research and logic presented in the previous sections support the idea that business networks and communities significantly affect small business owners' level of social performance. In spite of the belief that they are fiercely independent, go-it-alone types, small business owners are amenable to the influence of their social milieu in determining which causes to support and the kind and amount of support to provide.

Consequences of Business Social Performance for Small Businesses

According to public perception, small business owners are closely identified with their businesses. Contributions to charitable causes made by the owner as an individual will affect the public image of the business. And contributions from the business will be viewed as personal donations from the owner. Said differently, the consequences of business social performance will be experienced on a personal level by the owner and the personal philanthropy and community leadership provided by the owner may result in customer gain or loss, enhanced or decreased opportunities for cooperative ventures with other businesses, or better or worse rates of financing for his/her business. This dual focus is not necessary for examinations of the social performance of large businesses since individual owners and managers are less likely to be held personally responsible for corporate behavior. Because the scholarship about business social responsibility has focused on large businesses, it has generally ignored the human costs and benefits of BSP for the benefactor. This is unfortunate since it both limits our understanding of small business social performance and trivializes the risks small business owners frequently take when they support community betterment, charitable, or public goods causes, especially in small towns. In this section we will first discuss the personal consequences of BSP for small business owners and then consider how their businesses are affected.

Small business owners explicitly or implicitly conduct a cost-benefit analysis when deciding whether to provide support for community betterment. The potential personal benefits identified by Besser (2002) and Southwell (2004) include psychological rewards, a sense of accomplishment in being able to make a difference in the community's future, the pleasure gained from socializing and interacting with others involved in community betterment projects, personal growth and development, and the ability to improve the quality of life for one's family and friends. Among this group of benefits, psychological rewards are the most important. One business owner described the psychological effects this way. "It's gratifying. Makes you feel good personally. Last year we were nominated by the community for a citizenship award. It was an honor." (Besser 2002:189)

In an interview in 2010 with the first author, another small business owner listed the community improvement projects in which she was most recently involved. They included a benefit at a local café and bar to raise money for an ambulance, raising money for an aquatic center, and organizing the after prom events. But the project that she was most passionate about was the renovation of the Carnegie library. A couple of years ago the town built a new library. Now she is helping to renovate the old Carnegie building and turn it into a museum. She commented.

"The museum project is most rewarding to me personally, but it's nice to drive by our aquatic center and go 'that's really nice'. Ten years ago we put in a health center, pool for physical therapy and an exercise room. It makes me feel good. People come to town and want to live here because of these amenities."

The potential for negative consequences for supporting charities, arts, and community betterment projects are experienced by all civically engaged individuals whether they own a business or not. In Besser's (2002) study, almost two thirds of the business owners and managers experienced personal negative outcomes from their business' social performance. Being exposed to public criticism and anger, even threats of personal injury, was the most frequently mentioned negative personal experience reported by business owners. Besser and Miller (2004) developed the term "risky support" to describe socially responsible activities that have the potential to cause negative personal or business outcomes. In their account, furnishing leadership for civic organizations and public boards and offices poses the greatest risk. One

business owner reported that he “lost business every year he served on the school board” (from an interview conducted in 2010 by the first author). The possibility of negative public reactions prompted one restaurant owner to say, “I stay as apolitical as possible without being apathetic.” (Besser 2002:193)

The positive public image anticipated from good citizenship can unexpectedly turn into a negative image causing the business to lose customers, employees, and beneficial exchanges with other businesses. In interviews conducted by the first author in 2010, 25 % of a random sample of small business owners in four small towns reported negative outcomes for their business as a result of their community involvement. Sometimes the outcome of business owners’ largesse is seen as negative because the owner interprets his/her efforts as unappreciated by the community. This is illustrated by the report of the owner of a women’s party dress store (from an interview by the first author in 2010). She is an entrepreneurial Asian immigrant who started a store in her basement in another town 6 years ago. The business was so successful, she decided to open a store in the downtown of a neighboring town. Before the downturn in the economy, she indicated that the success of her business was an 8 (10 = extreme success, 1 = failure), but now it is around a 5. This is her account.

“Had a style show to raise money for the _____ hotel here. I don’t get no business from it. Go to all that trouble to have models. They model my clothes. Three times I did it. Hard to get business from the people who model who is from here, but I do get business from other towns. Last week, teacher wants me to contribute to the after prom. I say nope, I’m not going to. I want to tell you why, because none of your girls come and buy their gowns from me.”

Alonso and Northcote (2008) found the same frustration among small Australian wine producers who furnish in-kind donations for local causes. The wine producers reported that local residents frequently request donations of wine for civic and community events, but do not reciprocate by being loyal customers. They bring their visitors to the winery, according to the wine producers, and while the visitors purchase wine, the locals do not.

The experience of John Proctor, a small town furniture store owner, highlights the tension between the benefits and risks of socially responsible behavior.⁵ To provide a little background, Proctor purchased his store 25 years ago from his parents who started it in 1948. The store is located on the main street of the downtown, draws customers from throughout the region, and is fairly successful (rated by Proctor as 7 or 8 on a 10 point scale where 10 is extreme success and 1 is total failure). He has five employees.

In a 2000 interview, Proctor described how helping out the community on one project had negatively impacted his business. He provided leadership for a campaign to remodel and upgrade the local high school and donated the majority of the funds for a new gymnasium. Afterward, some customers told him they would no longer purchase furniture from his store because of his involvement in the school remodeling. Updating and strengthening the local high school, these people reasoned, would disadvantage the high schools in their towns in their competition with the refurbished school. If high schools in the area were ever forced to consolidate (as happens frequently in rural areas), the other high schools would likely be closed in favor of the newly remodeled school. Additionally, some local residents were opposed to the school remodeling because it required raising property taxes. Proctor described their attitude, “By golly, if you support that, it’s going to raise my taxes and I’m not going to do business with you.”

In spite of this negative experience, Proctor has remained very involved in the community. Part of his motivation results from his belief in the enlightened self interest rationale that he expressed with these words.

⁵ This information was provided in interviews conducted by the first author in person in 2000 and again by telephone in March 2010.

“You support the community anyway you can...for selfish reasons hoping that they’ll see that, come back, and support you. Also do it because it’s your nest. If you’re going to live there, you want a good place to live.”

His good citizenship has also provided substantial rewards for him personally. In the 2010 interview, he described one project of which he was especially proud.

“We ran a benefit for an ambulance...a Rockathon...where we had people sitting in our recliners for 24 hours to raise money. Raised like \$2,200 and it brought a lot of word of mouth to my product and people into the store. It worked out quite well. I was very happy with it. A lot of advertising. About six months later I won a prize from La-Z-Boy for the best small population advertising for promotion and got a free trip out of the deal. That was my shining moment.”

He was uncertain about whether the project actually resulted in additional purchases from his store. The long term profit from the goodwill, advertising, and traffic in the store generated by the Rockathon would be difficult to measure.

The positive and negative consequences of socially responsible behavior might be considered just part of normal life in small towns. Indeed, small business owners in small towns expected their activities to be more closely scrutinized than that faced by their peers in bigger towns (Besser 2002). The data from interviews with small business owners in bigger cities support this conclusion. At the same time, it may be harder for a small business owner to gain the positive rewards from BSP in a larger town.

Findings from research regarding the association of BSP and business success are mixed. Reviews conducted by Arlow and Gannon (1982), Wartick and Cochran (1985) and Griffin and Mahon (1997) concluded that the findings are incomparable across studies, or poorly designed, or contradictory. However, Orlitzky, Schmidt, and Rynes (2003) contend that it is possible to draw conclusions about the relationship of BSP and corporate financial performance from extant research using appropriate meta-analytic statistical techniques. Their review and analyses showed that BSP and financial performance are positively related to each other in a virtuous cycle such that more successful businesses are more socially responsible which in turn is associated with higher levels of financial success at a later time period. The studies that formed the basis of their examination compared BSP and financial performance of large businesses.

Whether this same virtuous cycle describes the outcomes of BSP for small businesses is a question for future research. However, findings from cross sectional comparisons of business success and BSP in small businesses lead us to expect the same virtuous cycle. Using perceptual measures of business success, Besser (1999) found that BSP among small town business owners was associated with greater success. In 2002, she reported similar findings for small business owners operating in metropolitan areas, small cities, and small towns in Iowa. Niehm et al. (2008) concluded that small family business owners who had more commitment to their communities and provided more community support had higher levels of business success than less socially responsible family business owners. Looking inside small businesses at the outcomes of ethical treatment of employees and customers, Hammann et al. (2009) discovered that more socially responsible SMEs among German companies had lower employee absenteeism and turnover, higher customer satisfaction (as reported by the owner), and a better reputation than other SMEs.

The research reviewed here supports the argument that doing good is good for business in large and small businesses alike although the relationship is less documented for small businesses. We reported the results from analyses of qualitative data which paint a complex picture of both rewards and penalties of BSP for the business owner personally. Rewards include feelings of accomplishment for successfully

completing major projects, satisfaction from giving back to the community and improving the quality of life for important others, personal growth, and developing and enriching friendships. The most extreme personal penalties discovered in the research were vandalism and threats of bodily injury. Even less severe forms such as not being appreciated by recipients and the community at large act as disincentives for future community support. Given the critical part small business owners and managers play in the service of enhancing the public good, it is essential that we have a better understanding of this dimension of BSP consequences.

Changes in Small Business Social Performance

Very little research examines the changes in BSP over time. One exception is Longenecker et al.'s (2006) longitudinal study of the ethical attitudes of top decision makers from large and small firms from 1985, 1993, and 2001. Contrary to the common perceptions discussed in their article, the authors discovered that ethical attitudes have actually increased from 1985 to 2001 with a slight dip in 1993. Additionally, small business owners and managers were as likely to report ethical attitudes as were the top managers of large businesses. Ethical attitudes are not the same as the actions business owner and managers take toward promoting the public good. Nevertheless, it is logical to assume that they are positively correlated, and if so, then the findings suggest that BSP has become more prevalent since 1985.

The State of Knowledge about Small Businesses, Small Towns, and Social Performance

Small businesses are a critically important sector of the economy and significant contributors to community, philanthropic, and charitable causes. The majority of small business owners recognize their responsibilities toward employees, suppliers, and customers; and to a lesser extent toward philanthropic and community causes. They are more likely to provide leadership and in-kind contributions than large businesses which prefer to give financial donations. How ethically owners treat parties integral to their business operations, e.g. employees, and whether support is extended beyond the boundaries of the business to external entities, e.g. communities and charities, depends on their value orientation and their economic and social embeddedness in the community where their business operates. The philanthropic and community contributions of large businesses are usually directed by formal policies and a professional staff that do not exist in small companies. Thus the causes that enjoy the generosity of small businesses are more directly determined by the personal preferences, values, characteristics, and social milieu of the owner than is true of larger businesses.

In spite of the portrayal of small business owners as fiercely independent, go-it-alone types, their social performance is significantly affected by the culture of the owners' communities and their business networks. If they operate their business in a community with a culture that encourages community support and involvement, they are likely to be good citizens. If they associate with business peers who support high levels of BSP, their BSP is higher. The relationship works in the opposite direction also.

Small business owners who are socially responsible are motivated to do so because they believe their generosity will benefit their business in the long run through improving their image among important others (policy makers, customers, financiers, potential collaborators, and employees), because they see their success linked to local community prosperity, and/or because they think it is the right thing to do. The first two justifications are dimensions of the enlightened self interest rationale. All three rationales are likely to have more salience for small business owners who operate in small towns. The future success of small businesses is closely linked to the welfare of the town in small population locations. Moreover, small business owners usually do business and live in the same community. This gives them a dual stake in community betterment.

The personal involvement of small business owners in social performance decisions suggests that they may be more personally affected by those decisions than are the top decision makers in large businesses. However, size of community acts as an intermediary variable between size of business and the probability that BSP outcomes will impact the top decision maker personally. In metropolitan areas, small business owners may be able to remain anonymous since attention is often focused on the actions of larger businesses. In small towns, even the smallest businesses are not anonymous.

Research has largely ignored the personal rewards and penalties of BSP for owners and managers. This is unfortunate given the central role of manager discretion in business social performance. Besser (2002) concluded that almost two thirds of business owners reported some sort of negative feedback to them personally as a result of their community involvement. This finding is in stark contrast to the conclusion reached by Orlitzky et al. (2003) in their meta-analytic review of extant research that good corporate citizenship is associated with positive financial returns in a virtuous cycle. The conflicting conclusions result from the literature's focus on large businesses and business outcomes as opposed to the consequences of BSP for the business owner as a person.

Both social performance and success are harder to measure for small businesses. Social performance in small businesses is less likely to be in the form of easily quantifiable financial donations and small businesses are less likely to keep track of or report the financial support they provide. The intermingling of business and owner personal spheres in small businesses makes it hard to distinguish owner contributions from business contributions. Given this uncertainty and the key role owners play in determining BSP in small businesses, it would seem prudent to pay more attention to the personal rewards and penalties of BSP for business owners and managers.

Issues and Questions

Scholars interested in small businesses and social responsibility must address the terminology and research bias in the literature. The names given to concepts shape what is studied, explanatory frameworks, policy decisions, and public perceptions. The fact that social responsibility is called corporate social responsibility instead of business social responsibility leads to the impression that the topic does not apply to small businesses. And indeed, most of the research on CSR and CSP begins and ends with major corporations. There is no doubt that it is critically important to understand social responsibility in large companies. Their power and their impact on the quality of life for individuals are indisputable. It is expedient to study this group of businesses. They leave paper (or electronic) trails documenting their social performance. Their activities are more closely scrutinized by the media and government agencies than those of small businesses. And it may be more prestigious to study Levi-Strauss or Ben and Jerry's than Statler's Furniture Mart or the First National Bank of Pikeville. However, ignoring over 95% of all businesses and half of the economic sector leads to invalid conclusions about business social performance, under-specified theories, and inadequate policies for encouraging socially responsible business behavior.

In addition to more inclusive terminology, there is a clear need for more research on small business social responsibility. We have limited understanding of the extent and nature of socially responsible behavior among small businesses, the motivations of small business owners that encourage or discourage socially responsible behavior, and the consequences of BSP for their businesses and them personally. All social science research would benefit from longitudinal studies, but this is especially important when attempting to understand the causal relationship between BSP and business success. Scholars are beginning to examine how social and economic embeddedness impacts the social performance of businesses, but much more is required. Future research must include the study of community culture and social networks in order to address questions about the association of embeddedness with BSP.

This brings us to another bias that is not unique to social responsibility scholarship. When community is considered in the BSP equation, it is generally a metropolitan area, not a small town. No one disputes the centrality of large cities to the economy and society. Nevertheless, a significant minority of U.S. population lives in small towns. That fact alone makes them worthy of research attention. Furthermore, the interaction of small businesses and small towns is an intriguing and fertile site for business social performance research. In small towns, the economic and social embeddedness of business owners changes how business size affects social performance. In small towns, BSP takes on a much more personal dimension for small business owners than they experience in larger population centers. And in small towns, the social performance of small businesses is much more important to the quality of life and indeed, the very survival of the town than small business activities are in cities.

Small towns in the Corn Belt and Plains states face immense challenges caused by the industrialization of agriculture, the loss of manufacturing jobs, and depopulation. Osha Davidson described their plight with these words. “Conditions in America’s rural communities are far worse than is generally recognized. Contrary to national assumptions of rural tranquility, many small towns – even those white picket fenced hamlets in our fabled Heartland – today warrant the label “ghetto.” No other word so vividly, and yet so accurately, conveys the air of ruin and desolation that now hangs over our rural communities.” (1990:157-158) In many small towns in the Heartland, conditions have not improved since Davidson’s research in the 1980s (Johnson 2006). The economic contributions, leadership, and community support provided by small business owners in small towns can make the difference between a prosperous future or the ghost town future portrayed by Davidson.

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