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CORPORATE SOCIAL RESPONSIBILITY:

AN EMPIRICAL ANALYSIS OF PORTUGUESE SMEs

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"Education is not the filling of a pail,

but the lighting of a fire."

- *William Butler Yeats*

List of Acronyms

CEO – Chief Executive Officer

CSR – Corporate Social Responsibility

ILO – International Labor Organization

OE SMEs – Observatory of European Small and Medium-Sized Enterprises

OECD – Organization for Economic Cooperation and Development

ROI – Return on Investment

SMEs – Small and Medium-Sized Enterprises

SRI – Socially Responsible Investment

TBL – Triple Bottom Line

WBCSD – World Business Council for Sustainable Development

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RESPONSABILIDADE SOCIAL DAS EMPRESAS:

Um Estudo Empírico das PMEs Portuguesas

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Provas Concluídas em:

ABSTRACT

A Responsabilidade Social das Empresas tem sido, há bastante tempo, um tópico de discussão, tanto académica como de gestão. Este tópico deu origem a um campo de literatura e estudo que gradualmente se desenvolveu até à visão moderna que prevalece hoje, caracterizando-se por uma visão alargada da responsabilidade social e uma percepção de benefícios decorrentes das acções de responsabilidade social. Pode a RSE influenciar os indicadores de performance de uma organização? A análise empírica revela uma resposta positiva relativamente a esta questão.

Este estudo, de natureza quantitativa utiliza a informação recolhida de um questionário administrado por correio a uma amostra de 108 pequenas e médias empresas portuguesas, inquirindo a sua orientação em relação à Responsabilidade Social das Empresas. É utilizado um modelo bidimensional de RSE para classificar as organizações em clusters representativos da sua orientação. Posteriormente, indicadores de performance das organizações são utilizados para revelar diferenças e comparar as performances entre estes clusters.

A análise empírica revela que o contexto das PMEs Portuguesas é caracterizado por dois clusters distintos de organizações – representando uma visão moderna e uma visão clássica da RSE. Os indicadores de performance organizacional revelam que o cluster representando a visão moderna demonstra um melhor desempenho em todos os indicadores, no entanto foi encontrada significância estatística apenas em dois dos indicadores.

Key Words: Responsabilidade Social, Sustentabilidade, PMEs, Portugal, Ética de Negócio, Desempenho Organizacional

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Corporate Social Responsibility has been a topic of academic and managerial discussion for several years. This subject gave birth to an extensive field of study and literature that has been gradually developing to a modern view, characterized by a broad view of social responsibility and a perception of benefits resulting from social action initiatives. Can CSR, in fact, affect an organization's performance indicators? Findings seem to unveil a positive answer concerning this issue.

This quantitative study uses data gathered through a self-administered postal questionnaire to 108 small and medium-sized Portuguese organizations, concerning their orientation towards CSR. A two dimensional CSR model was used to classify the organizations in clusters related to their orientation. Organizational performance indicators were then used to uncover any differences between clusters' performance.

Findings reveal that Portuguese SMEs context is characterized by two clusters of organizations – a modern view and a classical view cluster. Organizational performance indicators revealed that modern view organizational performed better in every indicator although statistical significance was only found in two of six indicators.

Key Words: Corporate Social Responsibility, Sustainability, SMEs, Portugal, Organizational Performance

Acknowledgements

1 INTRODUCTION

1.1 Introduction

The concept of Corporate Social Responsibility (CSR) has been around for several decades, but only in the recent past has it become a relevant topic of discussion both in the academic and business world. The prevailing standards for ethical and moral behaviour of our global market economic have originated deep social and environmental problems that gave emergence to a discussion on the responsibilities of business towards the very society that sustains and nurtures it.

Each day the pressure towards organizational responsibility grows all around the globe, to a point where the organizations must be accountant for their negative impact in the world if they are to maintain their power and legitimacy to operate. Organizations must therefore find ways to respond to this pressure, whether through the innovation in the ways in which they manage their businesses or through counterpoising their ill-natured social and environmental operational dross, in order to encounter conformity with the expectations of society.

This study is quantitative in nature and aims to uncover the state of CSR orientation in the Portuguese small and medium-sized enterprises (SMEs), through a model developed by Quazi and O'Brien (2000) that has already been successfully used in prior empirical studies. The study then proceeds to find if there are any differences in performance outcomes from different orientations towards CSR.

1.2 Purpose

The world of business, as any other world, is in an ever-evolving state, where each organization is continuously adapting to the changing environment in an individual struggle for survival, in what can be said to be a close befitting of the Darwinist theory to the world of business. This effort of self-preservation, being primitive and instinctive in nature, can often disregard the common welfare of both humanity and nature for the sake of its own egocentric existence, unmindful and neglectful that its own sustenance is dependent on the very entity it seeks to explore. It was this misconception that gave birth to the concept of Corporate Social Responsibility, the understanding that the natural world could not be explored indiscriminately or we will ultimately lay down our existence as we know it to account for this ideal of thoughtless consumerism. Thus, as one of its most emblematic authors stated several years ago, "*as our culture changes, it is appropriate – even mandatory – that businessman re-examine their role and the functions of business in society*" (Davis, 1960, p.70).

CSR stands for an evolution in the intellect of the human race, a sophisticated expansion in our perception of reality, shifting from an individualized conception to an alternative holistic vision, in which we are responsible and mature enough to account for our own actions, driven to tackle and resolve the consequences of our way of life, instead of neglecting them. As Carroll (1991) so discerningly said "*at some point the idea of the profit motive got transformed into a notion of maximum profit, and this has been an enduring value ever since*" (p.41), and being true to this fallacious value we have been inconsiderately destroying the essential bases of our existence and quality of life, such potable water or the soil from which our food is foraged.

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CSR must become an essential part of the business dimension if we are to survive this technological take-off that has been occurring since the industrial revolution in the 18th century. Evermore we realize that we can't mindlessly take from nature without accountancy, evermore we realize that our quality of life in not only dependent on the factory but also on the forest.

1.3 Academic Relevance

The academic debate on CSR grows increasingly important with each passing year as social problems become deeper and more visible and the public turns to corporations for the solution of these problems, or as Abreu et al. (2005) state, "*because resources are scarce and needs infinite, organizations must play an important role in social responsibility, and this is not a new concept that need to be promoted*" (p. 4). Still, SMEs have received little attention from the academic world, probably due to their small size when compared to their larger counterparts. The truth is that judging SMEs by their size is a fallacious assumption, because when taking the whole SME dimension into consideration, the "*SMEs collective contribution can be very significant, due to the cumulative effect derived from the large amount of SMEs*" (OE SMEs, 2002, p. 36). SMEs make for a vast percentage of the business universe that should not be overlooked.

Quazi and O'Brien's (2000) model has been used several times before with successful outcomes, the use of this model in the Portuguese SMEs context can both further solidify the validity of the model in different contexts from the original, and also prove to be a sound method for uncovering the present reality concerning the orientation Portuguese SMEs take towards CSR.

1.4 Empirical Relevance

The theory field on CSR has many doctrines and concepts that are hard to be absorbed by the practical business world, many times resilient to the classical "maximum profit" orientation defended by emblematic scholar Milton Friedman (Friedman, 1970). Still, a new type of understanding slowly takes place in the managerial world, a new frame-of-mind asserting that "*there is no inherent contradiction between improving competitive context and making a sincere commitment to bettering society*" (Porter and Kramer, 2002, p.32), that "*shareholder value and social responsibility are not necessarily incompatible*" (Martin, 2002, p. 70), that "*in the last ten years it has been increasingly recognized that activities to protect the environment can improve corporate profitability, competitiveness and job creation*" (Jacobs, 1997, p.27).

Several past studies prove these benefits flowing from CSR initiatives (Owen and Scherer, 1993; Machado Filho, 2002; Page and Fearn, 2006; Lo and Sheu, 2007; Herrera and Díaz, 2008; Lindgreen et al., 2008; Pellet, 2008; Reed, 2008; Brownstein, 2008) and this knowledge has to be transmitted entirely to the practical dimension for the benefit of both business and society, not only because many times the initiative to adopt CSR practices can be taken plainly as a moral choice, unknowingly that CSR can be much more than an operational cost, especially if used strategically (Porter and Kramer, 2002), but also because the Iron Law of Responsibility (Davis, 1967) ultimately always takes place, meaning that the power to do business exists proportionately to a degree of responsibility and a business that does not understand and abide by this law will sooner or later have his power revoked by society.

1.5 Problem Statement

There is much uncertainty regarding the state of CSR within the universe of SMEs and, considering the percentage of SMEs in the business universe, this dearth of knowledge possibly conceals a number of problems, solution and opportunities that ought to be addressed. This study aims to shed some light on this field by approaching the context of Portuguese SMEs. Organizations will be measured regarding two different variables: the scope of vision, ranging from narrow to broad, and the perception on the consequences resulting from CSR initiatives, ranging from a cost perspective to a benefit perspective. A model developed by Quazi and O'Brien (2000) will be employed to locate the organizations within four distinct quadrants regarding this measurement. The study will conclude by uncovering any performance outcomes based on the organization's position in the model.

1.6 Research Questions

The research questions for the study follow the logic progression of the thesis' objectives. For a clearer understanding they will be summarized here:

Objective 1: To test the validity of Quazi and O'Brien's (2000) model of CSR.

Research Question 1: Is there evidence supporting the validity of the model in the context of Portuguese SMEs?

Objective 2: To locate the position of Portuguese SMEs clusters within the model.

Research Question 2.1: What is the position of Portuguese SMEs in terms of their perceptions of cost or benefit underlying CSR?

Research Question 2.2: What is the position of Portuguese SMEs in terms of their range of vision from narrow to broad regarding CSR?

Objective 3: To test organizational CSR orientation-organizational performance correlation.

Research Question 3: Is there a correlation between an organization's orientation towards CSR and its performance indicators?

1.7 Outline of the Thesis

Chapter 1 provides an introduction for the thesis, explaining the purpose for this particular study, the academic and managerial justifications, the research questions and the outline for the thesis.

Chapter 2 provides a literature review for CSR, from the classical to the modern perspectives. This chapter concludes with previous empirical studies concerning CSR in Portugal and SMEs.

Chapter 3 portrays the research model, encompassing the thesis' theme, objectives, research question and hypothesis.

Chapter 4 contains the methodology for the study. It collects every step taken in the making of the thesis from the sample chosen and questionnaire design, to the statistical work.

Chapter 5 provides the findings for the study, portrays the demographics of the sample used, the emergent clusters and the cluster positioning-organizational performance correlations.

Chapter 6 concludes the study's objectives, provides the managerial and academic implications of the findings, study limitations and future research.

1.8 Conclusion

The introduction chapter aims to provide a clear and simple entry to the study, explaining the problem to be researched, the purpose for this work, the relevance to this research in academic and empirical terms and an outline for the thesis. The next chapters will further develop each of these topics and provide a deeper insight to what is, in fact, the orientation towards CSR taken by the Portuguese SMEs context and highlight the differences concerning the organizational performance indicators for each of the revealed corporate orientations.

2 LITERATURE REVIEW

2.1 Introduction

Corporate social responsibility has always been a somewhat vague concept as a field of study, it has been elusive to scholars all over the world where its boundaries begin and end. Each author, based in his own work and according to his own view, presents a somewhat slightly different definition for it. It is said to be fathered by Howard Bowen's book "Social Responsibilities of the Businessman", published over half a century ago, which gave birth to a whole new era of business conception and a new academic field of study. But what does it really mean for a corporation to be socially responsible? Since Bowen's work, academics have been striving to establish an agreed-upon definition for this concept which remains an elusive idea with a vast variety of definitions and, as such, the research to find an agreeable, all-embracing, holistic definition for the concept of social responsibility still continues in the present days.

2.2 Corporate Social Responsibility: The Origin of a Concept

The first two decades launched the foundations for what was to be the future of social responsibility, since the concept was still ill-defined; scholars approached the topic in an effort to establish what was its essence, what were, in fact, the obligations that business has to society (Davis, 1960, 1967) and the dangers in such an ideology (Levitt, 1958; Friedman, 1970).

In an early work Davis (1960) expressed three associated ideas all centered on the subject of the responsibility of business, whose purpose was to guide a whole future

field of study. First, Davis suggests that "*social responsibilities of the businessman need to be commensurate with their social power*" (p. 71), an assertion further clarified by his second idea that "*if power and responsibility are to be relatively equal, then the avoidance of social responsibility leads to gradual erosion of social power*" (p. 73), thus equating two distinct concepts in this simple formula, "*constant and enduring, no matter what social changes occur*" (p.70). Third, Davis concludes there are also non-economic values in business and that the "*continued vitality of business depends upon its vigorous acceptance of socio-human responsibilities along with socio-economic responsibilities*" (p.74), otherwise business will find its freedom to pursue economic objectives restricted and, on the long run, revoked. Davis' contributions to the early definitions of social responsibility were so significant that he is considered by some to be the runner-up to Bowen for the Father of CSR designation.

A few years later Davis (1967) further developed his work, explaining that we live in a pluralistic society, "*a social system in which diverse groups maintain autonomous participation and influence in the social system*" (p. 46), and as such, there isn't any monolithic decision making by only one organization, but several power centers inescapably related to each other, what indeed raises the need for a broader view of the welfare of the whole system and not only certain groups. A manager with this broader view realizes the importance of societal values and "*that the business system does not exist alone and that a healthy business system cannot exist within a sick society*" (p. 46). Davis establishes the power-responsibility equation, which states that "*social responsibility of businessmen arise from the amount of power they have*" (p. 48), meaning that both sides of the equation always tend to stay in balance on the long run. This is distinctly enunciated by the famous Iron Law of Responsibility, which explains that freedom is given to business to pursue its goals, but if this freedom is overlooked

then restrictions will rise and business will lose its power, or as the Law so clearly states: "*Those who do not take responsibility for their power, ultimately shall lose it*" (p. 49) and other social powers, mainly government and labor, will arise to restore balance.

Levitt (1958) establishes some points against the case of social responsibility, all based around the sake of a free society. Contrary to Davis' (1967) view, he holds that pursuing this "*insidious*" ideology holds a danger to society in which "*all this things* [social responsible practices] *will turn the corporation into a twentieth-century equivalent of the medieval church. The corporation would eventually invest itself with all-embracing duties, obligations, and finally powers – ministering to the whole man and molding him and society in the image of corporation's narrow ambitions and its essentially unsocial needs*" (p. 44), turning itself from a free, pluralistic society into a single, unopposed, and unstoppable force "*in which the essentially narrow ethos of the business corporation is malignantly extended over everyone and everything*" (p. 46). Levitt defends the idea, like Friedman (1970) would, a few years later, that the business of business "*is making money not sweet music*" (p. 47).

Friedman (1970) was one of the first to counter the social responsibility reformation that was taking place in the decade of the 60's and it's probably the best known exponent of this view. He states that "*only person have responsibilities. A corporation is an artificial person and in this sense may have artificial responsibilities, but business as a whole cannot be said to have responsibilities, even in this vague sense*" (p. 1). He explains that the concept of social responsibility undermines the basis of a free society and that by pursuing socially responsible practices, the businessman is spending the money of his stockholders, customers and employees and thus not serving correctly as their agent. Friedman ends this work by reminding that social responsibility is a "*fundamentally subversive doctrine*" and that "*there is one and only one social*

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responsibility of business – to use its resources and engage in activities designed to
increase its profits so long as it stays within the rules of the game, which is to say,
engages in open and free competition without deception or fraud" (p. 6).

Table 2-1 Early Developments on Corporate Social Responsibility

Author	Early Development of CSR Theory	Author Definition of CSR
Keith Davis (1960)	What the responsibilities of the businessman to society are, in what direction does his social responsibility lies, and what consequences are to be expected from the refusal of such responsibilities.	*"businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest"* (p. 70)
Keith Davis (1967)	The modern pluralistic society and the need for a broader vision of business, the statement of the power-responsibility equation and the Iron Law of Responsibility.	*"realizing that the business system does not exist alone and that a healthy business system cannot exist within a sick society"* (p. 46).
Theodore Levitt (1958)	The insidious nature of CSR and the underlying dangers of investing the corporations with such responsibility.	*"a way of maximizing the lifetime of capitalism by taking the wind out of its critics' sails"* (p. 43)
Milton Friedman (1970)	The economical essence and responsibility of business is to make profit. CSR undermines the free market mechanism.	*"social responsibility involves the acceptance of the socialist view that political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources to alternative uses"* (p. 3)

2.3 Further Developments – From the Classic to the Modern

Perspective

2.3.1 Both Side of the Discussion

Davis (1973) takes, early in the 70's decade, both sides of the topic in his hands and analyses then thoroughly (Table 2-2). He starts by explaining his own definition of social responsibility in an effort to create a solid base for his work. He states that social responsibility *"refers to the firm's consideration of, and response to, issues beyond the*

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narrow economic, technical, and legal requirements of the firm. […] *It means that social responsibility begins where law ends*" (p. 312-313). Davis then proceeds to present his arguments on both sides. In spite of the impartiality in this work, Davis conclusion remains within the trails of his previous works evidencing that "*society wants business as well as all other institutions to assume significant social responsibility. Social responsibility has become the hallmark of a mature, global civilization. It is necessary for an interdependent one world. Values have changed to require it. Assuming that the direction of business social responsibility is decided, then business institutions must move vigorously toward integrating social values into their decision-making machinery. The business which vacillates or chooses not to enter the arena of social responsibility may find that it will gradually sink into costumer and public disfavor*" (p. 321). This work is particularly important in this study, because several of Quazi and O'Brien's (2000) statements for the statistical factorial analysis are based on these arguments.

Table 2-2 Arguments For and Against the Case of Social Responsibility

Arguments For the Case of Social Responsibility	Issue	Arguments Against the Case of Social Responsibility	Issue
Long-run Self Interest	"*a better society produces a better environment for business*" (p. 313)	Profit Maximization	Actions devoted to social responsibility are wasting stakeholders' money (Friedman, 1970)
Public Image	"*the firm which wishes to capture a favorable public image will have to show that it also supports these social goals*" (p. 313)	Costs of Social Involvement	"*Business has very substantial economic resources, but it must husband them wisely because these resources will quickly dwindle into economic impotence unless they are self-renewing*" (p. 318)

Table 2-2 Arguments For and Against the Case of Social Responsibility (continued)

Viability of Business	"*society gave business its charter to exist, and that charter could be amended or revoked at any time that business fails to live up to society's expectations*" (p. 314)	Lack of Social Skills	most businessman "*do not feel at home in social matters*" (p. 318)
Avoidance of Government Regulation	"*if the businessman by his own socially responsible behavior can prevent the government from introducing new restrictions, it can be argued that he probably accomplishing a public good, as well as his own private good*" (p. 315)	Dilution of Business's Primary Purpose	"*society would get less productivity and that the economic role of the business institution would become confused in society*" (p. 319)
Socio-cultural Norms	"*each person's utility function exists in some order of priority in the manner of Maslow's need hierarchy*" (p. 315)	Weakened International Balance of Payments	"*if social activities dilute business's capacity for high productivity, then this lower efficiency is likely to lead to higher product costs*" (p. 319), and thus firms who bear social costs will be at a competitive disadvantage
Stockholder Interest	"*types of responsive behavior which bring return to the corporate sector as a whole actually operate to the benefit of the holder of a diversified portfolio, therefore, a firm's failure to be responsible deprives stockholders of returns they might otherwise enjoy*" (p. 316)	Business has Enough Power	"*this concentration of power would threaten the pluralistic division of powers which we now have among institutions, and probably would reduce the viability of our free society*" (p. 320)
Let Business Try	"*many other institutions have failed in handling social problems, so why not turn to business*" (p. 316)	Lack of Accountability	"*Accountability should always go with responsibility, and it is poor social control to allow any other kind of arrangement*" (p. 320)

Table 2-2 Arguments For and Against the Case of Social Responsibility (continued)

Business has the Resources	*"business is known for its innovative ability. Perhaps some of this could be applied to social problems where innovation is sorely needed"* (p. 316-317)	Lack of Broad Support	*"If business does become socially involved, it will create so much friction among dissident parties that business cannot perform its social assignment and society will be ripped asunder"* (p. 321).
Problems Can Become Profits	*"if business's innovative ability can be turned to social problems, many problems could be handled profitably according to traditional business concepts"* (p. 317)		
Prevention if Better than Curing	*"If business delays dealing with social problems now, it may find itself constantly occupied with putting out social fires so that it has no time to accomplish its primary goal of producing goods and services"* (p. 317)		

Source: Davis (1973)

2.3.2 Studies, Models and Frameworks

Eilbirt and Parker (1973) were some of the first to empirically address the theme on the field, through a study from a sample of major U.S. corporations concerning their activities in the arena of social responsibility. They too comment how difficult it is to formulate a precise definition of social responsibility and thus they use the concept of "good neighborliness", further explaining that "*the concept involves two phases. On one hand, it means not doing the things that spoil the neighborhood. On the other, it may be expressed as the voluntary assumption of the obligation to solve neighborhood problems*" (p. 7). Their study involved 400 companies from which ninety-six of the firms responded and were engaged in some form of social responsibility effort.

Although it is to be expected that firms involved in such practices are more likely to respond, it is clear that social responsibility was taking place among the business world, a statement supported by the fact that 56 percent of the respondents believed they had evidence of success against 10 percent that reported evidence that the program was unsuccessful. They conclude that, although there was uncertainty of such activities in the company's profits, they sensed there "*a spirit of noblesse oblige, a half-spoken assumption of social burdens by a privileged group. In short, there is a return here to the concept of political economy, a construct which fuses social values with profit maximization*" (p. 13).

Sethi (1975) presents shortly after an analytical framework featuring three macro dimensions from which the behavior of corporations can be gradually evaluated. The first is social obligation in which corporate behavior exists in response to market forces or legal constrains, merely playing within the rules of the game and as Sethi states, "*no social system will tolerate this arrangement for any length of time, and other elements – social institutions and subsystems – will mobilize their resources to reduce the power of these units and restore a balance of power within the system*" (p. 61). The second dimension is social responsibility which takes corporate behavior a step further "*where it is congruent with the prevailing social norms, values and expectations of performance*" (p. 62) of society. It simply means "*a step ahead of time – before the new social expectations are codified into legal requirements*" (p. 62), bringing legitimacy to the institution. The third and highest dimension is social responsiveness which puts apart the concept of social pressure as a motivator and focus on what the corporation should voluntarily do in the long-run in the dynamic social system to which it belongs, anticipating and confronting the changes that are likely to take place in the system. In short what puts apart the three dimensions - social obligation, social responsibility and

social responsiveness is that they are proscriptive, prescriptive and anticipatory in nature, respectively, bringing a greater level of legitimacy to the corporation with each level.

Carroll (1979), also a very emblematic scholar in the field of social responsibility, develops in this particular work a definition to address the entire range of obligations business has to society – economic, legal, ethical and discretionary, ranking each by growing importance and compromise and naming it the pyramid of corporate social responsibility. As Carroll states, "*this definition is designed to bring into the fold those who have argued against social responsibility by presuming an economic emphasis to be separate and apart from a social emphasis*" (p. 500). Carroll then inserts this pyramid model within a three-dimension framework encompassing "The Social Issues Involved" axis (e.g. consumerism, environment) and business's "Philosophy of Responsiveness" axis which ranges from reaction to proaction, creating a corporate social performance conceptual model that distinguishes and comprises past academic definitions of social responsibility and assists managers "*in understanding that social responsibility is not separate and distinct from economic performance but rather is just one part of the total social responsibility of business*" (p. 503) and with this statement consolidating a base to future developments of CSR theory and practice.

A rather simple approach to the consequences of CSR initiatives was developed by Dalton and Cosier (1982), evaluating business behavior through a framework which combines legality and responsibility portraying *the four faces of social responsibility.* The authors comment on the fact that each quadrant is inescapably subject to criticism and they conclude that the legal-responsible quadrant is the appropriate CSR strategy for firms to follow. They further state three fundamental principles to be considered by an organization when choosing a CSR strategy: (1) *primum non nocere*, harm no one;

(2) organizational accountability, to be accountable for one's behavior; and (2) the double standard, a similar concept to Davis' (1967) Iron Law of Responsibility.

On the extension of his previous work Carroll (1991) now combines the stakeholder theory of the corporation, that asserts the management of interests of every stakeholder, meaning every *person or group with legitimate interests in procedural and/or substantive aspects of corporate activity*" (Donaldson and Preston, 1995, p.67) with his pyramid of corporate social responsibility (Carroll, 1979) featuring the previously mentioned four degree of obligation business has to society to address and rank three moral types of stakeholder management – immoral management, encompassing managers that actively take decisions in opposition to what is deemed right or ethical; amoral management, portraying those managers that are not sensitive to the fact that their everyday decisions may have harmful effects on others; and moral management, observing the law as the minimal ethical standard and willing to operate well above what the law mandates.

Elkington (1994) develops, shortly after, a concept that was set to be a base for CSR theory worldwide. The concept of "Triple Bottom Line" (TLB) encompasses within itself the dimensions of "social, economic and environmental" concern, also known as "people, planet and profit". This idea fundamentally states that there is a reciprocal social structure in which the welfare of a social group is dependent in the welfare of all the other groups, meaning that business should, besides guarantying a profit, also be socially responsible towards the whole of its stakeholders, in order to stay itself sound and sustainable. The TBL concept also predicates, in light of the stakeholder theory that an organization should serve as a vehicle for the coordination of every stakeholder interest, and not only maximize stockholder profit.

Jacobs (1997) developed a rather interesting idea also based in the stakeholder theory, assuming that environment is, in fact, a stakeholder of the corporation because of its participatory and financial contribution, like that of the employees and as such it should be taken care of, here emphasizing on the concept of "sustainability", an idea associated to the before mentioned work of Elkington (1994) and the ideology of TBL.

Table 2-3 Further Developments on the Topic of CSR

Author	CSR Theory Contribution
Sethi (1975)	The three macro dimension of social responsibility: (1) social obligation, (2) social responsibility and (3) social responsiveness.
Carroll (1979)	A conceptual model featuring three dimensions to accommodate both academic theoretical definitions and business practices of CSR: (1) Social Responsible Categories, (2) The Social Issues Involved and (3) Philosophy of Responsiveness.
Dalton and Cosier (1982)	An intuitive four quadrant framework combining both legal and responsible dimensions of business behavior.
Carroll (1991)	The pyramid of corporate social responsibility and the three types of corporate management – immoral, amoral and moral.
Elkington (1994)	The concept of Triple Bottom Line – "people, planet and profit".
Jacobs (1997)	The environment as a stakeholder and the importance of such concept in the economy-environment relationship.

2.4 The Modern View

2.4.1 The Prevailing Concept

Besides the fore mentioned authors, CSR has also been progressively defined by a large number of institutions, from international organizations such as the International Labor Organization (ILO) or the Organization for Economic Cooperation and Development (OECD) to different private enterprises. A variety of different definitions took place, instead a universally accepted definition. There are, although, primary

characteristics that gather a general approval, they are as follows: the existence of a voluntary nature by its pronouncing agent; conformity with all applicable regulation as a minimum requirement; commitment to sustainable development of all business dimensions - economic, social and environmental; embodiment in the company's management philosophy; responsibility in a global scale scope, independently of the company's level of income in international contexts; and close involvement with all the company's relevant stakeholders for CSR practice evaluation and innovation.

Table 2-4 CSR Primary Characteristics

Voluntary nature	The Green paper defined CSR as "*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*" (European Commission, 2002a, p. 3).
Conformity with applicable regulation	"*Business is expected to obey various laws which are applicable to them and, (...) often have to respond to societal expectations that are not written down as formal law*" (OECD, 2003a).
Part of sustainable development	"*(..) businesses need to integrate the economic, social and environmental impact in their operations*" (European Commission 2002a, p. 5) "*Corporate social responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life*" (WBCSD, 2000, p. 7).
Directly related to a company's management	"*CSR is not an optional "add-on" to business core activities - but about the way in which businesses are managed.*" (European Commission 2002a, p.5)
Global presence	CSR "*include all communities in which a company has a presence or an impact, whether low income or not*" (Weiser and Zadek, 2000) "*Globalization has created new opportunities for enterprises, but it also has increased their organizational complexity and the increasing extension of business activities abroad has led to new responsibilities on a global scale*" (European Commission 2002a, p. 6)
Acknowledgement and dialogue with the stockholders	"*in order to be credible, CSR practices could not be developed, implemented and evaluated unilaterally by businesses, but rather with the involvement of relevant stakeholders*" (European Commission 2002a, p. 4)

Source: Lopes (2004) (adapted)

2.4.2 The Rise of a New Opportunity

Peter Drucker (1984) presents, in mid-eighties, an interesting "new definition" of social responsibility, in which he emphasizes the instrumental importance of profit to "*do good*", or in other words, the economic responsibility of business on which the feasibility of all other responsibilities is dependent on. This idea that profitability and responsibility were not mutually exclusive notions had been made explicit in a number of earlier definitions (Davis, 1967; Sethi, 1975; Carroll 1979; Dalton and Cosier, 1982; Carroll, 1991; Elkington, 1994; Jacobs, 1997) but Drucker pushed that idea further, that business can transform its social responsibilities into self-interest, converting them to business opportunities, or as he explains in conclusion, "*the proper social responsibility of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth*" (p. 62).

This emergence of a new vision of business is also approached by Morgan and Hunt (1994) in their commitment-trust theory of relationship marketing, underlying the advantages of building sustainable relationships with one's stakeholders. As Morgan and Hunt emphasize "*these global dynamics have resulted in the somewhat paradoxical nature of relationship marketing: To be an effective competitor (in the global economy) requires one to be a trusted cooperator (in some network)*" (p. 20). As such, a firm no longer stands alone in the business arena, for the sake of its own survival it must seek partners, and for those relations to maintain, values are required like reliability and integrity. Also, the authors state that "*manufacturers see brand loyalty as key to superior performance and make efforts to build it through providing superior benefits, promoting the firm's values (e.g., "green marketing", corporate philanthropy), and establish an image as a trustworthy manufacturer*" (p. 23), appointing some of the long-

term benefits of corporate social action in the commitment-trust theory of relationship marketing.

Porter and Kramer (2002) affirm that "*as long as companies remain focused on the public relations benefit of their contributions, they will sacrifice opportunities to create value*" (p. 31), and enlighten the path on how social and economic benefits can be converted into business strategies that cut through all four elements of competitive context of Porter's Diamond model of competitive advantage. A great number of examples are given on how philanthropy can often be the most cost-effective way to improve a company's competitive context, especially if done collectively by a strategic cluster, enabling the costs to be spread over a number of companies, enhancing the overall performance. Figure 1 graphically represents this "*convergence of interests*" where both economic and social value is created.

Figure 1. Convergence of Interests
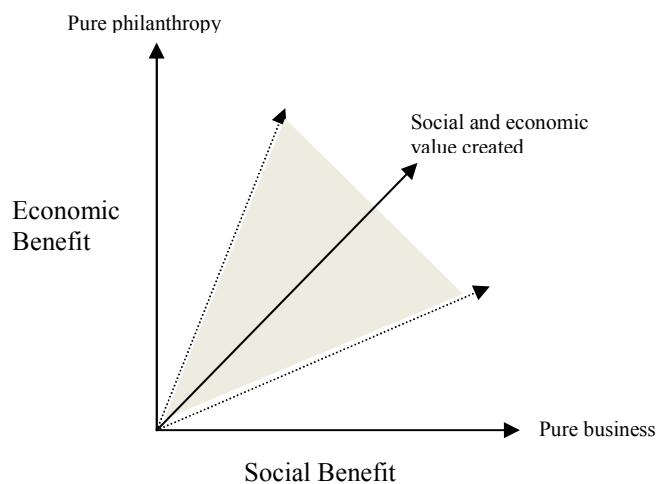
Source: Porter and Kramer (2002)

A few years later Porter and Kramer (2006) realized that *"the prevailing approaches to CSR are so fragmented and disconnected from business and strategy as to obscure many of the greatest opportunities for companies to benefit society"* (p. 4). Their point is that CSR can be, in fact, much more than a cost, it can be a source of innovation and competitive advantage. The authors then proceeded to divide the social issues in three different groups - generic social issues, value-chain social impacts and social dimensions of competitive context, and explained that through a corporate social agenda concerning this three distinct groups, social issues should be ranked, categorized and addressed proportionately to its strategic potential, thus looking beyond society's expectations to achieve social and economic benefits simultaneously (Figure 1).

Also, in a rather intuitive framework, Zadek (2004) ranked business attitudes towards corporate responsibility. Using the example of the company Nike as she went from a defensive stage, ever evolving through the five stage maturation (defensive, compliant, managerial, strategic and civil) to a *"long-term economic value enhancement and collective action gains"* (p. 35) civil stage, collecting invaluable benefits for the brand reputation as shifting from being an object of civil activism to a key participant in civil society social initiatives and processes. Zadek links these five stages of organizational learning with four stages of gradually maturing social issues in his framework, the Civil-Learning Tool, to help organizations develop and position future business strategies. He states that the more mature an issue becomes, the further up the learning curve an organization must be to avoid risk and take advantage of opportunities and, as such, a response to a pending social issue should be answered as soon as possible.

Table 2-5 A Modern View Perspective of CSR

Author	Publication Title	Modern View Perspective Contribution
Drucker (1984)	The New Meaning of Social Responsibility	The perspective of converting social responsibility into self-interest business opportunities
Morgan and Hunt (1994)	The Commitment-Trust Theory of Relationship Marketing	The shift from a narrow to a wider perspective of business, embracing all the stakeholders of the firm aimed at building sustainable relationships of cooperation and trust.
Porter and Kramer (2002)	The Competitive Advantage of Corporate Philanthropy	Using Porter's Diamond model on how philanthropy can enhance a company's competitiveness.
Porter and Kramer (2006)	Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility	The ranking of social issues in three distinct categories and the strategic opportunity in addressing such issues.
Zadek (2004)	The Path to Corporate Responsibility	The Civil-Learning Tool

2.5 The Two-Dimensional Model of CSR

Quazi and O'Brien (2000) proposed a model comprising two axis intended to represent four different quadrants, or orientations towards CSR.

Figure 2. A two-dimensional model of social responsibility.
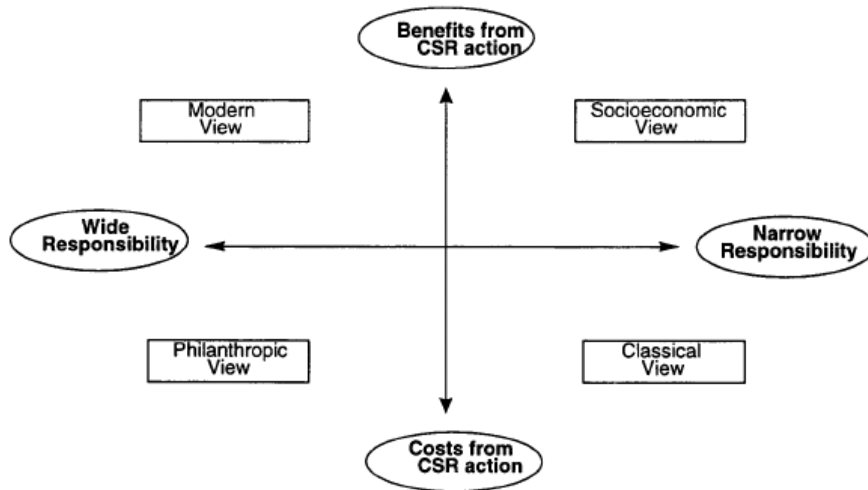
Source: Quazi and O'Brien (2000)

As represented in Figure 2, in the positive side of the horizontal axis represents the narrow classical perspective of CSR, in which business is an exclusively economic institution whose only responsibilities are the production of goods and services and profit maximization within the rules of the game (Friedman, 1970) and social action is seen as a subversive ideology that could undermine the freedom of the modern society by setting too much power in the hands of corporations (Levitt, 1958). The negative side of the same axis represents the broader modern view of CSR in which business is responsible for a wider array of issues and should compromise to the expectations of the society to which it belongs by protecting the environment, developing the community in which is inserted and adopt philanthropic practices (Eilbirt and Parker, 1973, Davis, 1967). The negative side of the vertical axis represents CSR as a cost and a constraint to

the company's business operations and thus, profit should be the only factor to evaluate a company's performance since there is no perception of any short-term benefit of paying attention to it (Quazi and O'Brien, 2000). The positive side of the vertical represents those firms that perceive and understand the benefits underlying social action (Drucker, 1984), such as competitive advantage (Porter and Kramer, 2002, 2006), enduring and trustworthy relationships (Morgan and Hunt, 1994) and brand reputation. Based on these four concepts Quazi and O'Brien define four quadrants: (1) Classic approach, (2) Socio-economic approach, (3) Philanthropic approach and (4) Modern approach that are characterized in Table 2-6.

Table 2-6 Quazi and O'Brien's Four Quadrants of CSR

		Scope of vision on corporate social responsibility	
		Narrow Responsibility	**Broad Responsibility**
Perceptions of the consequences recurring from social action	**Cost from CSR action**	*Classic approach*. This corresponds to the primary vision of social responsibility. Companies have no objective other than the maximization of profit and consider that social involvement generates a net cost with no actual benefits	*Philanthropic approach*. This draws a broad view of social responsibility in which companies are willing to make donations even when they are perceived as a net cost for the company. This attitude may stem from an ethical or altruistic conduct that drives them to do something for society
	Benefit from CSR action	*Socio-economic approach*. This represents a reduced vision of social responsibility but accepts that some degree of social responsibility will bring some net benefits to the company in terms of, for example, avoiding costly legislation, building good relationships with customers and suppliers, or even establishing collaboration networks. In this context, social responsibility can be justified even when the manager has reduced vision of it.	*Modern approach*. This perspective sees the company maintaining a broad, symbiotic relationship with society and obtaining long and short-term benefits from corporate social responsibility. It is a modern view of social responsibility which includes a stakeholders' perspective, previously analyzed in this work.

Source: Quazi and O'Brien (2000)

2.6 Previous Empirical Research

Few empirical studies have been done in the Portuguese context related to CSR, when comparing to other developed countries, no doubt resulting from the fact that Portugal is a small country when put side to side with the other developed countries in the European and Global dimensions. Less research yet has been done referring to the SMEs universe, which leaves a large blank space when it comes to the outright knowledge concerning the perspectives of business about this theme, as SMEs make for well over 90 percent of the Portuguese business universe.

On the evidence, experience and practices of CSR, Abreu, David and Crowther (2005) have developed an exploratory research on 10 Portuguese large companies, revealing three main areas of CSR influence - external, market and operative. The authors briefly mention the SME context, revealing that these are mostly involved in community causes, usually at a local level, and always publish these contributions to the general public. As a message to the SMEs they conclude that "*the findings could provide a cautionary message to the SMEs that CSR can offer an opportunity for firms to review the critical aspects of their operations and to identify the actions necessary for the effective and greater competitive advantage*" (p.13). The study also approaches CSR influence in organizational performance in the believe that "*an area where social responsibility is, or should be, an operative factor [...], might facilitate better corporate governance*" (p.13). On corporate image, the authors affirm that most CSR investments reflect a preoccupation with stakeholder perception of the organization.

Branco and Rodrigues (2008) have found in their study analyzing factors influencing CSR disclosure, that Portuguese companies disclose information mainly to present a positive image to their stakeholders and, in this way, influence perceptions on

organizational reputation. The authors also suggest that CSR disclosure is proportionately related to company size and visibility. This study corroborates an earlier one made by the same authors (Branco and Rodrigues, 2006) concerning 15 Portuguese banks, where evidence suggests that banks with a higher visibility among consumers also seem to exhibit greater concern to improve the corporate image through social responsibility information disclosure.

In relation to SMEs particularly, Sousa and Duarte (2009) have elaborated a study concerning the existence and quality of CSR practices, and also if this practices possess, in fact, a strategic nature or if they are merely random practices with no systematization at all. This qualitative study revealed that SMEs do not possess a consistent CSR strategy and the practices are isolated from core business strategy and therefore purely philanthropic in nature.

Another study by Santos, Pereira and Silva (2006) aspired to know which CSR initiatives were being taken by Portuguese SMEs and which factors conditioned SMEs to develop these initiatives. They found, like Sousa and Duarte (2009) that most CSR activities were disconnected from the core business and were occasional in nature. Inquiring SMEs on the meaning of CSR, most assumed CSR as the "*complying with the social and environmental regulation*", revealing "*a great lack of knowledge concerning the conceptual principles of CSR*" (p. 79), but the study revealed that all organizations developed actions in all CSR dimensions (these being greater in the internal scope, mainly in the development of employees), which allows for the conclusion that "*CSR, in terms of SMEs, can be a novelty while a concept, but is well-incorporated in the practical day to day management*" (p. 81). The most values area of CSR was the "promotion of the development of people working in the company", on the other hand, the less valued areas were "improvement of environmental performance" and "bonding

with community". The major motivation for developing CSR practices were "economic performance", followed by "increased worker satisfaction, motivations clearly connected to the highest perceived benefits like "greater reputation", "increased workers motivation" and "increased quality".

Table 2-7 Empirical CSR Studies Undertaken in the Portuguese Context

Author	Subject	Findings
Abreu, David and Crowther (2005)	CSR evidence, experience and practices	Three components of CSR: the external influence, the market influence and the operative influence
Branco and Rodrigues (2008)	CSR disclosure	CSR is made for image purposes and influence perceptions
Branco and Rodrigues (2006)	CSR disclosure by the banking sector	Visibility is proportionately related to CSR disclosure
Sousa and Duarte (2009)	Existence of a strategic nature in CSR initiatives	CSR practices are mostly philanthropic in nature, with no connection to the organization's business core
Santos, Pereira and Silva (2006)	Type of CSR initiatives being taken by organizations and motivational factors	Regardless of a poor understanding of the CSR concept, organizations are taking CSR initiatives in all business dimensions, main motivational factors are economic performance and employee satisfaction

2.7 Conclusion

Corporate social responsibility has come a long way, but has nevertheless seized to be a topic of discussion and debate. Two opposite sides adamantly maintain their convictions about the underlying nature of CSR ideology, each clearly stating their pros and cons to the consolidation of responsibility dimension in the business universe.

The following study will add empirical data to this debate through an analysis on the Portuguese SMEs context and conclude on both the state of affairs regarding the Portuguese SMEs CSR orientation and the benefits resulting from different CSR orientations in this particular context.

3 RESEARCH MODEL

3.1 Introduction

Throughout the literature review in the last chapter, we came to the conclusion that there is a slow, but certain shift in the paradigm of social responsibility, that evermore CSR is evolving from a business restriction, to a voluntary philanthropic action, intrinsic to the concept of sustainability, and more recently to a veiled strategic business opportunity that can offer a number of benefits to one's organization.

Quazi an O'Brien's (2000) model was chosen because it was found rather pertinent to analyze this occurring shift in the CSR paradigm, and it is useful not only to explore how, in fact, that shift if occurring in the context of Portuguese SMEs, but also as a sound bridge to further link the two distinct concepts of organizational CSR orientation and organizational performance.

3.2 Research Theme

This paper aims to study the context of Portuguese SMEs in terms of their orientation towards CSR and how this orientation does, in fact, affect their business performance. It is important to measure the degree to which organizations are evolving in the field of CSR, because in a ever-growing industrious planet in which pollution and social negligence becomes a ever-growing concern, each step taken in the field of social responsibility and the absorbance of this concepts by the business dimension is a step closer to a higher quality of life for the human population as a whole and to the sustainability of our ecosystems.

SMEs were chosen for being the great majority of the Portuguese business dimension (accounting for about 95% of the business dimension) and are, as such, the cornerstone of the Portuguese economy with a huge cumulative impact.

3.3 Research Objectives

This paper has three distinct objectives: the first objective aims to test the validity of Quazi and O'Brien's (2000) model of social responsibility within the context of Portuguese SMEs, from which a solid factorial and cluster analysis should emerge; the second objective aims measure the precise position of Portuguese SMEs both within the narrow and broad views regarding social responsibility and the cost and benefit perspectives of social involvement, by locating the different clusters of organizations within their respective quadrants in the model; the third objective attempts to find a correlation between this cluster placement and the SME's performance indicators, which are "Profitability", "Return on Investment", "Sales", "Market Share", "Client Retention" and "Sales Growth". The objectives and research questions for this thesis are portrayed in Figure 3 for a clearer understanding.

Figure 3. Theme, Objectives and Research Questions

An empirical test of CSR within the Portuguese SMEs context

O1: Test the validity of the model in the context of Portuguese SMEs.	O2: Locate the position of Portuguese SMEs clusters within the model.	O3: Test Organizational CSR Orientation – Organizational Performance Correlation
RQ1: Is there evidence supporting the validity of the model in the context of Portuguese SMEs?	RQ2.1: What is the position of Portuguese SMEs in terms of their perceptions of cost or benefit underlying CSR? RQ2.2: What is the position of Portuguese SMEs in terms of their range of vision from narrow to broad regarding CSR?	RQ3: Is there a correlation between an organization's orientation towards CSR and its performance indicators?

Research Model

The research model is based on Quazi and O'Brien's (2000) study on CSR, already mentioned in the literature review chapter, consisting on four distinct quadrants, each representing a different view on CSR. The two axis divide the model in the opposite extremes of their respective variables. The horizontal axis stands for the range of responsibility an organization can choose to have concerning social responsibility, from the narrow, more classical vision in which an organization's only concern should be to maximize profit, to a broad, more contemporary vision, in which organizations hold a responsibility to the society where they operate. The vertical axis is related to the perceptions the organizations have on the consequences resulting from social action, from a cost perception, in which CSR is considered a net cost to the company, to a

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benefit perception, in which organizations have a perception of benefits flowing back to the organization, resulting from CSR initiatives. Ultimately the model leaves four quadrants in which organizations can be inserted, the classical view quadrant, the socioeconomic view quadrant, the philanthropic quadrant and the modern view quadrant. For a detailed description on each of this quadrants please refer to Table 2-6.

Figure 4. Research Model
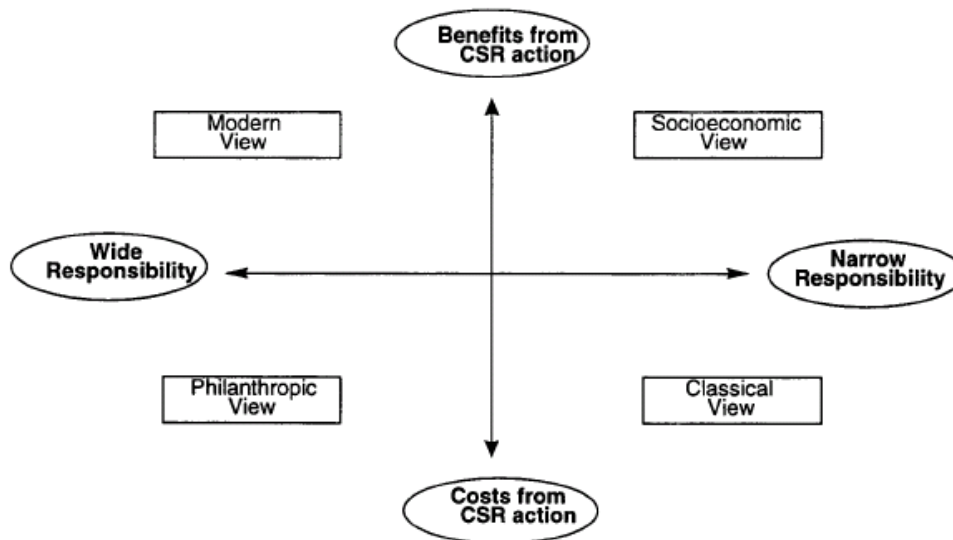
Source: Quazi and O'Brien (2000)

3.4 Research Hypotheses

Each objective has pertinent research questions related to it, and in this way, so will the hypothesis be elaborated and divided amongst the different research questions.

From the research question deriving from the first objective, a hypothesis emerges, the acceptance or rejection of the validity of the model in the context of Portuguese SMEs.

H 1.1: There was evidence supporting the validity of the model in the context of Portuguese SMEs.

From both the research questions deriving from the second objective, four hypotheses emerge, related to each of the four quadrants of the model and the four orientations towards CSR: classical view, socio-economic view, philanthropic view and modern view. The acceptance of each hypothesis is dependent on the existence of a cluster of organizations inserted in that respective quadrant.

H 2.1: There is, within the context of Portuguese SMEs, a cluster orientated towards the classical view of CSR.

H 2.2: There is, within the context of Portuguese SMEs, a cluster orientated towards the socio-economic view of CSR.

H 2.3: There is, within the context of Portuguese SMEs, a cluster orientated towards the philanthropic view of CSR.

H 2.4: There is, within the context of Portuguese SMEs, a cluster orientated towards the modern view of CSR.

From the research question deriving from the third objective, six hypotheses emerge, one related to each of the six performance indicators: "Profitability", "Return on Investment", "Sales", "Market Share", "Client Retention" and "Sales Growth".

Acceptance of the hypothesis is dependent of the revelation of a statistically significant correlation between its respective performance indicator and the position of the organizations within the model.

H 3.1: There is a correlation between an organization's position in the model and its profitability

H 3.2: There is a correlation between an organization's position in the model and its return on investment

H 3.3: There is a correlation between an organization's position in the model and its sales

H 3.4: There is a correlation between an organization's position in the model and its market share

H 3.5: There is a correlation between an organization's position in the model and its client retention

H 3.6: There is a correlation between an organization's position in the model and its sales' growth.

3.5 Conclusion

With the research model as a map for the study's start and finish points, it becomes clearer to understand the progression inherent to the thesis, first to validate the model, secondly to encounter the clusters within the model and finally to prove if that same cluster position does, in fact, cause significant differences in the organizational performance indicators. Table 3-1 Research Hypothesis portrays the list of hypothesis and their relation to the study's objectives.

In the next chapter will be explained the methodology for this study, the sample chosen, the questionnaire design and the tools used for statistical work.

Table 3-1 Research Hypothesis Summary

Objective	Research Question	Hypothesis
1	1	H 1.1: There is evidence supporting the validity of the model in the context of Portuguese SMEs.
2	2.1 and 2.2	H 2.1: There is, within the context of Portuguese SMEs, a cluster orientated towards the classical view of CSR. H 2.2: There is, within the context of Portuguese SMEs, a cluster orientated towards the socio-economic view of CSR. H 2.3: There is, within the context of Portuguese SMEs, a cluster orientated towards the philanthropic view of CSR. H 2.4: There is, within the context of Portuguese SMEs, a cluster orientated towards the modern view of CSR.
3	3	H 3.1: There is a correlation between an organization's position in the model and its profitability H 3.2: There is a correlation between an organization's position in the model and its return on investment H 3.3: There is a correlation between an organization's position in the model and its sales H 3.4: There is a correlation between an organization's position in the model and its market share H 3.5: There is a correlation between an organization's position in the model and its client retention H 3.6: There is a correlation between an organization's position in the model and its sales' growth.

4 METHODOLOGY

4.1. Introduction

Quazi and O'Brien's (2000) model intended primarily to study samples from Australia and Bangladesh, but other contexts were later also used for empirical testing, proving the validity of the model in Spanish family firms context (Déniz and Suárez, 2005) and in the context of the Middle Eastern developing countries, namely in Lebanon, Syria and Jordan (Jamali, Sidani and El-Asmar, 2008) providing encouraging preliminary results. The same approach was thus adopted in this study to measure the orientation towards social responsibility taken by Portuguese Small and Medium Enterprises (SMEs).

4.2 Sample and Questionnaire design

This research was conducted using a sample comprising 500 small and medium enterprises selected from Exame's Business Magazine listing of Portugal's 1000 best small and medium enterprises (Issue nº296, December 2008) encompassing enterprises from every region of the country including Madeira and Azores islands. The questionnaires were sent on 7th and 8th of September and were followed-up by an e-mail to communicate its arriving and encourage response rate.

The empirical evidence was obtained using a postal, self-administered questionnaire, divided in 3 distinct sections (refer to Appendix 2). Primarily, subjects were asked to evaluate 25 statements regarding a wide range of issues relating to corporate social responsibility, as can be seen on Table 4-1. These statements were

elaborated by Quazi and O'Brien (2000) from a number of relevant previous studies such as Davis (1973), and respondents were asked to evaluate each statement in a 5 point Likert scale from "Strongly Disagree" to "Strongly Agree".

The second section the questionnaire was designed to characterize the company and its respective performance indicators, these latter also answered using a 5 point Likert scale, and the third part to characterize the inquired subject.

As stated before, 500 questionnaires were sent, from which 137 were received representing a response rate of 27,4%. From this received percentage 22 were blank, and 7 were lacking the necessary information for statistical treatment (values were missing or not suited for a valid interpretation), as such only 108 questionnaires were used for factorial analysis. The inclusion of received questionnaires for the thesis was closed on November 23rd.

Table 4-1 Twenty Five Statements Relating to CSR

Statements
1. Business can avoid further regulation by adopting social responsibility programs
2. The increasing involvement of business in social responsibility may lead to increasing expectations of society as to the business contribution.
3. Social responsibility is an effective basis for competing on the market.
4. Business should realize that it is part of the larger society and therefore it should respond to social issues.
5. Social regulation has already put a check on business behavior and it is unnecessary for business to be involved in social responsibility programs.
6. Contribution to the solution of social problems can be profitable for business.
7. Regulation is not sufficient to ensure business behaves in a socially responsible way.
8. Other institutions have failed to solve social problems. So, business should now try

Table 4-1 Twenty Five Statements Relating to CSR (continued)

9.	Business should tackle only those social problems that are created by its own actions
10.	Social responsibility programs may be helpful in discouraging irresponsible behavior by business
11.	Business has already a lot to do and shouldn't take other responsibilities
12.	Business has the necessary money and talent to engage in social responsible programs
13.	Society expects business to help solve social problems as well as to produce goods and services
14.	Business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests
15.	Corporate social action programs can help a favorable image for business
16.	Business has a definite responsibility to society apart from making profit
17.	Corporate managers need to be trained so that they can effectively contribute to society's problems
18.	A business that ignores social responsibility may have a cost advantage over a business that does not
19.	It is unfair to ask business to be involved in socially responsible programs as it is already doing to by complying with social regulations
20.	Social involvement may be suicidal to the marginal firm, for the high costs involved might throw it out of business
21.	Business should use its resources and talents for its own growth to ensure a better service to society.
22.	Society expects business to contribute to economic growth as its only concern
23.	By transferring the cost of social involvement to society, business may weaken its image with the public
24.	Asking business to be involved in any activity other than making profit is likely to make society worse off rather than better on
25.	It is unwise to ask business to fix social problems created by others and which have no profit potential

Source: Quazi and O'Brien (2000)

4.3 Statistical Treatment

4.3.1 Sample Characterization

Before any deep statistical analysis, both the organizations and inquired subjects are characterized as a whole. Organizations are presented in field of activity, business volume, company age, number of employees, existence of a social responsibility department, existence of an official manual or code of ethics and publication of social responsibility reports. Inquiries are characterized by gender, age, time working at company, education degree, position at company and whether position in company is related with marketing/social responsibility. Presentation was made using average means and standard deviation for scale variables and value count and relative percentages for non-scale variables. The sample will also be characterized after the cluster analysis, by cluster membership, in order to highlight the cluster's differences.

4.3.2 Factorial Analysis

To bring to light hidden attitude dimensions within the answers to the 25 statement before mentioned, exploratory factorial analysis was employed, with a varimax orthogonal rotation on an initial factor solution to simply findings. In order to be accepted, the uncovered factors were checked for the following criteria (Quazi and O'Brien, 2000):

1. The value of each eigenvalue is greater than 1.0.

2. The factor loadings after varimax rotation in for each factor are greater than 0.3.

3. The variance explained by all factors is greater than 40 percent.

4. No variable has significant loading on more than one factor.

Table 4-2 Eigenvalues Analysis for Portuguese SMEs

Factors	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
1	4,55	18,21	18,21
2	3,24	12,97	31,18
3	2,09	8,36	39,55
4	1,55	6,20	45,75
5	1,33	5,34	51,08
6	1,23	4,93	56,01
7	1,05	4,20	60,22
8	1,02	4,09	64,30

Thus, factors with eigenvalues superior to 1.0 (Table 4-2) were retained for subsequent analysis, and for factor loadings the critical cutoff point for factor membership was set at 0.5.

Keiser-Meyer-Olkin test measured 0,711 which proves a medium adequacy for the sample and Bartlett's test of sphericity proves strong relationships between variables (p=0,000) as shown on Table 4-4, proving the model's validity for Portuguese SMEs. A reliability analysis using Cronbach's alpha was then applied to ensure greater solidity in each factor's respective scale, but no items were erased or considered unsuitable for analysis (Table 4-3). Items A5 (Factor 2) and A18 (Factor 3) had their scales reversed for the reliability analysis as their essence was opposed to the theme of their respective factor and as such negatively valued.

Table 4-3 Reliability Analysis for Main Factors

Factor	Items	Value	Acceptability
Factor 2	A5, A4, A16	0,621	Acceptable
Factor 3	A6, A3, A18	0,575	Weak

Factor analysis extracted 8 factors that explain 64,3% of the total variance of the model (Table 4-2).

Table 4-4 KMO and Bartlett's Test for Factorial Analysis

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0,71
Bartlett's Test of Sphericity	Approx. Chi-Square	738,71
	df	300
	Sig.	0,00

In order to bring greater meaning to the results, factor naming was then employed with caution to reflect with maximum exactness the underlying variables that formed each extracted factor. Extracted factors are represented on Table 4-5.

Table 4-5 Factor Analysis of Portuguese SMEs' Data

Factors Extracted and Respective Statements	Factor Loadings
Factor 1 (Social responsibility is subversive and dangerous for firms and society in general)	
Business already has a lot to do and should not take other responsibilities **(A11)**	,724
Asking business to be involved in any activity other than making a profit is likely to make society worse off rather than better off **(A24)**	,687
It is unwise to ask business to fix social problems created by others and which have no profit potential **(A25)**	,629
Society expects business to contribute to economic growth as it is its only concert **(A22)**	,625
Social involvement may be suicidal for the marginal firm, for the high costs involved may throw it out of business **(A20)**	,577
Business should tackle only those social problems that are created by its own actions **(A9)**	,535
Factor 2 (Business has a responsibility to society)	
Social regulation has already put a check on business behaviour and it is unnecessary for business to be involved in social responsibility programs **(A5)**	-,718
Business should realize that it is part of a larger society and therefore it should respond to social issues **(A4)**	,674
Business has a definite responsibility to society apart from making profit **(A16)**	,636

Table 4-6 Factor Analysis of Portuguese SMEs' Data (continued)

Factor 3 (Social responsibility has economic potential)	
Contribution to the solution of social problems can be profitable to business **(A6)**	,692
Social responsibility is an effective basis for competing in a market **(A3)**	,692
A business that ignores social responsibility may have a cost advantage over a business that does not **(A18)**	-,534
Factor 4 (Neglecting social responsibility can become costly in the long run)	
By transferred the cost of social involvement to society, business may weaken its image with the public **(A23)**	,752
Social responsibility programs may be helpful in discouraging irresponsible behaviour by business **(A10)**	,670
Factor 5 (Business should attend strictly to economic issues)	
Business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests **(A14)**	,704
Business should use its resources and talents for its own growth to ensure better service to society **(A21)**	,670
Factor 6 (Involvement in social responsibility can increase expectations)	
The increasing involvement of business in social responsibility may lead to increasing expectations of society as to the business contribution **(A2)**	,735
Other social institutions have failed to solve social problems. So, business should now try **(A8)**	,598
Factor 7 (Business has the necessary money and talent to engage in social action programs)	
Business has the necessary money and talent to engage in social action programs **(A12)**	,732
Factor 8 (Social responsibility has its benefits, but training is required)	
Business can avoid further regulation by adopting social responsibility programs **(A1)**	,762
Corporate managers need to be trained so that they can effectively contribute to a society's problems **(A17)**	,536

Factor 1 clearly represents the classical view of social responsibility in which organizations should not take any other responsibilities beyond economic ones, the main objective of the organization is to ensure profit and social responsible doctrines are dangerous.

Factor 2 captures the ideology that business has a definite responsibly to society apart from the economic one. Items in factor 2 reflect a voluntary preoccupation with the welfare of the society in which the organizations are inserted and also assert an expansion of social responsibility beyond regulatory frontiers.

Factor 3 comprises items that reflect a modern view in which social responsibility is not seen as a burden or merely a philanthropic ideology, but an effective path to market competitiveness, economic benefits and profit.

Factor 4 can be interpreted as the cost of neglecting social responsibility, both to the organization that will suffer this neglecting in its image with the overall public and possibly face regulation restraints in the future, and to the social and environmental context that will not benefit from encouragement for sustainable responsible practices that could discourage further irresponsible behavior.

Factor 5 states the classical view in which that business should focus strictly in the economic dimension.

Factor 6 represents a concert from society in which business is asked to adopt responsible practices, both now and gradually in the future.

Factor 7 states that business does have the necessary talent and resources to tackle this same concert mentioned on factor 6.

Factor 8 comprises two seemingly unrelated items that can be interpreted as social responsibility's non-economic benefits that can be achieved through responsible practices from the corporations. Factor 8 can also refer the self-conscious lack of training felt by Portuguese SMEs managers.

From the factorial analysis it was clear that three main factors were extracted – Factor 1, Factor 2 and Factor 3 – that represent two opposite views of social responsibility. Factor 1 comprises the profit maximization "within the rules of the

game" view, alongside with a CSR-cost perspective (encompassing within itself both the variables of the research model), while Factor 2 represents the broad view in which business is seen as a part of a larger society and has, in this way, a responsibility towards it, and Factor 3 represents a net benefits perspective flowing from CSR initiatives. These main factors will be the light to which emergent clusters will be interpreted.

4.3.3 Cluster Analysis

SPSS K-Means Cluster was used to create a two cluster variable featuring both clusters for subsequent characterization and positioning within the model. In a first effort, the cluster analysis was aiming at Quazi and O'Brien's four groups, however a modern cluster and two classical clusters emerged, alongside with a size-irrelevant cluster. More than one cluster per quadrant analysis was attempted before (Jamali, Sidani and El-Asmar, 2008), but in order to remain within the parameters of the original model a three cluster solution was attempted, from which resulted a modern and a classical cluster, again alongside with a size-irrelevant cluster, thus a two cluster solution, for a modern and a classical view, was held. F-Values from ANOVA table were used as a rough pinpoint guide to the most relevant items for cluster interpretation (Table 4-7 Final Cluster Centers

An analysis of the final cluster centers from the clusters (Table 4-7 Final Cluster Centers) reveals that they are indeed related to the three main factors extracted earlier, representing opposing views in the CSR paradigm. Cluster 1 organization's scores are consistent with the modern view of social responsibility latent in Factor 2 and Factor 3

in which business has a responsibility to society and CSR can, in fact, offer precious benefits.

Organizations in this cluster scored high in items such as A3 (social responsibility is an effective basis for competing in a market), A16 (business has a definite responsibility to society apart from making profit), A6 (contribution to the solution of social problems can be profitable to business), A4 (business should realize that it is part of a larger society and therefore it should respond to social issues), A13 (society expects business to help solve social problems as well as to produce goods and services), A23 (by transferred the cost of social involvement to society, business may weaken its image with the public) and A8 (other social institutions have failed to solve social problems. So, business should now try). On the other hand, organizations in Cluster 2 have a classical view, consistent with items that comprise Factor 1, stating that business should only concern itself with making a profit and working for economic growth, and in which CSR is nothing more than a net cost to the organization. Organizations in cluster 2 scored high in items such as A25 (it is unwise to ask business to fix social problems created by others and which have no profit potential), A18 (business that ignores social responsibility may have a cost advantage over a business that does not), A11 (business already has a lot to do and should not take other responsibilities), A9 (business should tackle only those social problems that are created by its own actions), A22 (society expects business to contribute to economic growth as it is its only concert), A20 (social involvement may be suicidal for the marginal firm, for the high costs involved may throw it out of business) and A24 (asking business to be involved in any activity other than making a profit is likely to make society worse off rather than better off).

Table 4-7 Final Cluster Centers

Clusters	Items	F-Values	Final Cluster Centers	
			Cluster 1	Cluster 2
Cluster 1:	**Modern View of CSR**			
	Social responsibility is an effective basis for competing in a market (A3)	20,42	4,04	3,33
	Business has a definite responsibility to society apart from making profit (A16)	16,813	4,30	3,73
	Contribution to the solution of social problems can be profitable to business (A6)	13,663	3,91	3,35
	Business should realize that it is part of a larger society and therefore it should respond to social issues (A4)	13,086	4,30	3,83
	Society expects business to help solve social problems as well as to produce goods and services (A13)	6,177	3,72	3,33
	By transferred the cost of social involvement to society, business may weaken its image with the public (A23)	5,137	3,51	3,10
	Other social institutions have failed to solve social problems. So, business should now try (A8)	5,001	2,96	2,58
Cluster 2:	**Classical View of CSR**			
	It is unwise to ask business to fix social problems created by others and which have no profit potential (A25)	68,878	2,13	3,42
	A business that ignores social responsibility may have a cost advantage over a business that does not (A18)	55,133	2,26	3,67
	Business already has a lot to do and should not take other responsibilities (A11)	42,454	1,72	2,77
	Business should tackle only those social problems that are created by its own actions (A9)	35,288	1,92	2,83
	Society expects business to contribute to economic growth as it is its only concert (A22)	29,01	2,08	2,88
	Social involvement may be suicidal for the marginal firm, for the high costs involved may throw it out of business (A20)	28,679	2,42	3,38
	Asking business to be involved in any activity other than making a profit is likely to make society worse off rather than better off (A24)	26,885	1,83	2,75

4.3.4 Position in the Model

Regression factor scores from Factor 2 and Factor 3 were used to insert both clusters in the model (Table 4-8). Factor 2 (business has a responsibility to society) as a representative of the horizontal axis – broad/narrow spectre of CSR - and Factor 3 (business has economic potential) as a representative of the vertical axis – benefit/cost perspective of CSR. Factor 1 is the main factor, but it couldn't be used as it comprises within itself items from both axis of the model.

Table 4-8 Regression Factor Scores For Both Clusters

	Cluster 1	Cluster 2
Factor 1	-0,66666	0,736109
Factor 2	0,209503	-0,23133
Factor 3	0,344805	-0,38072
Factor 4	-0,0409	0,045161
Factor 5	0,199036	-0,21977
Factor 6	-0,05133	0,05668
Factor 7	0,121997	-0,1347
Factor 8	-0,02833	0,031277

This step follows roughly the procedures of Herrera and Díaz (2008) who worked with this same model and, this same way, used regression factor scores to position the clusters within the model.

With base on the coefficient factor scores, Cluster 1 is positioned alongside the modern view quadrant, and Cluster 2 is positioned alongside the classical view quadrant of Quazi and O'Brien's (2000) model of social responsibility. The coordinates for the location of the clusters in the model are expressed in Table 4-9 Model Axis Values

Table 4-9 Model Axis Values

	Cluster 1	Cluster 2
X	0,21	-0,23
Y	0,34	-0,38

4.3.5 Organizational CSR Orientation – Organizational Performance Correlation

With respect to finding hidden correlations between a cluster's position on the model and the indicators of organizational performance, Spearman's correlation coefficient was employed to uncover any statistical significance between the variables, as seen on Table 4-10. Spearman test was used because the variables were found not to follow a Gaussian distribution. This significance was tested at a 5% and a 10% level interval.

Table 4-10 Spearman's Correlation Coefficient

	Cluster 1	Cluster 2		
	Mean	Mean	Spearman's correlation coeficient	Statistical Significance
Profitability[a]	3,85	3,44	-,259	,011
Return on Investment (ROI) [a]	3,65	3,42	-,166	,105
Sales[a]	3,62	3,57	-,064	,533
Market Share[a]	3,61	3,59	-,044	,666
Client Retention[a]	4,08	3,56	-,367	,000
Sales Growth[a]	3,49	3,38	-,076	,464

[a] Scale used was [min 1, max 5]

Both Profitability and Client Retention were found statistically significant at a 0,05 level, but only Client Retention was found significant at a 0,01 level, proving a significant correlation in both indicators between the clusters' position in the model and the organizational performance of the companies pertaining to that respective cluster.

4.4   Conclusion

The methodology chapter explained in depth every step of the process in this study, the sending of the questionnaires, the characterization of the sample, the factorial and cluster analysis and the search for correlations with the organizational performance indicators. This sets the base for every step taken hereon in.

The next chapter will deal with the empirical analysis and interpretation of this data and bring to light the actual findings of this study.

5 FINDINGS

5.1 Introduction

In the last chapter, two distinct cluster centers emerged from statistical work, each representing a different organizational perspective on CSR, and through statistical testing, significant differences were found in organizational performance indicators of the two clusters, proving that different CSR perspectives can, in fact, influence organizational results. This chapter will deal with discussing, analyze and confronting these findings with previous studies.

5.2 Demographics of the Organizations

As a starting point, it is important to know the sample the study is based upon. The sample was chosen from Exame's Business Magazine listing of Portuguese best SMEs to provide a random cross-sectional, general sample. As Table 5-1 shows, with the exception of two sectors (Cellulose and Paper, and Hotel and Food Industry) all sectors are represented in the sample. The results are consistent with another study undertaken in 2005, roughly revealing the same field of activity profile (Santos, Pereira and Silva, 2006), although this study seems to comprise less of the traditional transformation industries and more of the modern industries.

Table 5-1 Organization's Field of Activity

Field of Activity	Count	Percentage
Agriculture and agro-Industry	8	7,41%
Water, electricity and gas	1	0,93%
Celullose and paper	0	0,00%
Commerce	15	13,89%
Commerce of automobile vehicles	9	8,33%
Commerce of electro-electronics	1	0,93%
Construction	13	12,04%
Food distribution	10	9,26%
Fuel distribution	2	1,85%
Edition, information and graphic-arts	1	0,93%
Hotel and food industry	0	0,00%
Lumber, cork and furniture	1	0,93%
Precision and electric material	5	4,63%
Metalomecanics and base metalurgy	10	9,26%
Metallic and non-metallic minerals	2	1,85%
Pharmaceutical products	3	2,78%
Chemistry	4	3,70%
Services	9	8,33%
Textiles	3	2,78%
Transport and distribution	5	4,63%
Clothes and leather	1	0,93%
N/A	5	4,63%
Total	108	100,00%

As the sample was redrawn from a universe encompassing the largest organizations within the degree of medium and small enterprises, it was to be expected that over three quarters of the sample (85%) had an income of 10 to 50 million Euros as shown on Table 5-2. Organizational age across the sample is pretty evenly distributed, with peaks within the 10 to 19 years (27%) and 20 to 29 years (23%).

The number of employees is also evenly distributed, half of the organizations having less than 100 employees and the other half over 100 employees.

Only 3 of the organizations (3%) possessed an independent CSR department, 13 (12%) delegated such task to a responsible employee or workgroup. The vast majority of the sample (85%) possessed neither.

From the sample, roughly 40% possessed a formal manual or code of ethics within the company and only 5 organizations published social responsibility reports, which is incongruent with Abreu, David and Crother's (2005) experience, where they state that Portuguese SMEs always publish their CSR initiatives information and provide information to the general public. This could mean that Portuguese SMEs use other channels than CSR reports to disclosure this information.

Table 5-2 Organization's Demographics

		Count	*Percentage*
Business Volume	Less than 2 million Euros	1	0,93%
	From 2 to 10 million Euros	10	9,26%
	From 10 to 50 million Euros	92	85,19%
	More than 50 million Euros	2	1,85%
	N/A	3	2,78%
	Total	108	100,00%
Organizational Age	0-9 years	15	13,89%
	10-19 years	29	26,85%
	20-29 years	25	23,15%
	30-39 years	13	12,04%
	40-49 years	12	11,11%
	50 years or more	14	12,96%
	Total	108	100,00%
Number of Employees	50 or less	32	29,63%
	51-100	21	19,44%
	101-150	26	24,07%
	151-200	12	11,11%
	More than 200	16	14,81%
	N/A	1	0,93%
	Total	108	100,00%

Table 5-3 Organization's Demographics (continued)

Existence of an CSR Department	Independent Department	3	2,78%
	Employee/Workgroup Responsible	13	12,04%
	None	92	85,19%
	Total	108	100,00%
Existence of a Manual or Code of Ethics	Yes	42	38,89%
	No	66	61,11%
	Total	108	100,00%
Does the Organization publish CSR reports?	Yes	5	4,63%
	No	100	92,59%
	N/A	3	2,78%
	Total	108	100,00%

5.3 Demographics of the Respondents

The age of the respondents averages 42 years (SD=10,82), as represented on Table 5-4. The majority of respondents occupies Upper (33,6%) or Middle (42,1%) management job positions, and the time they have spent on their respective organization averages 12 years (SD=9,33). Roughly half (45,3%) of respondents had a marketing/CSR related position. Men comprise almost three quarters of the sample (72%), leaving only one quarter to women (28%), and over half of the sample has a high degree education (52,9%).

Table 5-4 Respondent Demographics

		Count	Column N %	Mean	Standard Deviation
Level of job position	Administração	36	33,33%		
	Direcção	45	41,66%		
	Outro	26	24,07%		
Number of years working for the company	5 years or less	33	30,55%		
	6-10 years	31	28,70%		
	11-15 years	10	9,26%		
	16-20 years	12	11,11%		
	21 or more years	17	15,74%		
Number of years working for the company				11,85	9,33
Marketing/CSR job related position	Yes	48	44,44%		
	No	58	53,70%		
Age	35 years old or younger	32	29,63%		
	36-45 years old	31	28,70%		
	46-55 years old	26	24,07%		
	Older than 55 years	13	12,04%		
Age				42,28	10,82
Gender	Male	77	71,30%		
	Female	30	27,78%		
Education Degree	Basic Degree	1	0,93%		
	Secondary Degree	11	10,19%		
	Professional Formation	4	3,70%		
	Bachelor Degree	11	10,19%		
	High Degree	55	50,93%		
	Masters Degree	22	20,37%		
	Doctorate Degree	0	0,00%		

5.4 Cluster Analysis

With the use of K-Means Cluster Method from SPPS, became evident that there were two distinct cluster centers within the sample, representing different perspectives of CSR – a modern and a classical view (Table 4-7 Final Cluster Centers

Table 5-5 Number of Cases in each Cluster

		Cluster Membership	Percentage
Cluster Number of Case	1	53	52,48%
	2	48	47,52%
Valid		101	
Missing		7	

The cluster membership is evenly divided amongst both cluster centers, with 53 organizations comprising the modern view cluster (52%) and 48 comprising the classical view cluster (48%) as represented on Table 5-5. The positive and negative sides of the X axis had to be inverted, as in the original model the poles are contrary to the broad/narrow perspectives of CSR, meaning that the broad vision is represented in the negative side of the axis and the narrow vision on the positive side. The slightly larger number of enterprises that share the modern view are empirically consistent with the results from the study by Santos, Pereira and Silva (2006), reflecting an actual perception of increased performance for CSR investment, and could be a reflection on the growing emphasis given to the topic of social responsibility and the benefits that values, ethics and behavior of firms can harvest for an organization (Abreu et al. 2005) or simply a matter of pressure on organizations to engage on responsible practices (Balabanis et al., 1998, McWilliams and Siegel, 2000). The position of the clusters can be seen on Figure 4.

Figure 4. Cluster Positioning
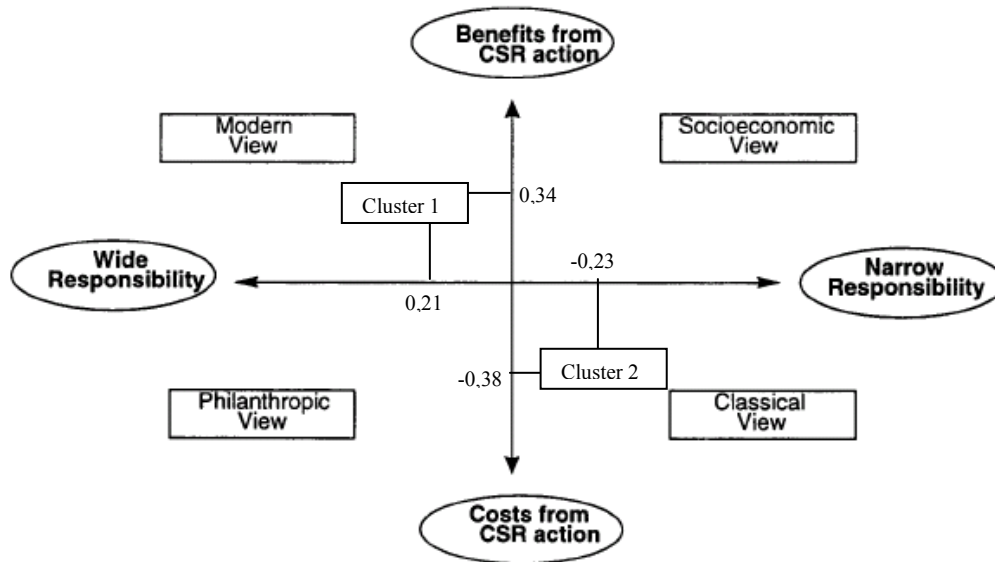
Table 5-6 reveals that the differences between both clusters in CSR-related politics of the organizations are consistent with their perspective of CSR. Cluster 1 organizations have a larger number of CSR concerned departments (21%, even if composed of only an employee or workgroup) than Cluster 2 organizations (7%). Also 24 organizations (45%) in the modern quadrant possess a manual or code of ethics, against 15 on the classic quadrant (31%). Also, only 5 organizations in the sample published CSR reports, 4 of which belonging to Cluster 1.

Table 5-6 Differences between Modern Perspective and Classical Perspective

		Cluster Number of Case			
		Cluster 1		Cluster 2	
		Count	Percentage	Count	Percentage
Existence of a CSR Department	Independent Department	1	1,9%	1	2,9%
	Employee/Workgroup Responsible	10	18,9%	2	4,2%
	None	42	79,3%	45	93,8%
Existence of a Manual or Code of Ethics	Yes	24	45,3%	15	31,3%
	No	29	54,7%	33	68,8%
Does the Organization publish CSR reports?	Yes	4	7,7%	1	2,2%
	No	48	92,3%	45	97,8%

Classical view organizations seem to occupy both the low and high extremes in the three variables: business volume, organizational age and number of employees (Table 5-7). This can be explained by the fact that a young organization may be more inclined to concern itself primarily with the short-term economic objectives and only later on address CSR issues as a long-term sustainability strategy (Lindgreen et al., 2008). On the other hand, success from classical view organizations that have the highest income, oldest age and greater number of employees can be explained by other competitive advantages and/or good management that allowed the organization to grow and become well established in the market arena and still maintain a narrow vision and cost perspective of CSR.

**Table 5-7 Differences between Modern Perspective and Classical Perspective II**

		Cluster Number of Case			
		Cluster 1		Cluster 2	
		Count	Percentage	Count	Percentage
Business Volume	Less than 2 million Euros	0	0	1	2,1%
	From 2 to 10 million Euros	6	11,3%	4	8,3%
	From 10 to 50 million Euros	46	86,8%	40	83,3%
	More than 50 million Euros	0	0	2	4,2%
	N/A	1	1,9%	1	2,1%
	Total	53	100%	48	100%
Organizational Age	0-9 years	7	13,2%	8	16,7%
	10-19 years	19	35,8%	8	16,7%
	20-29 years	12	22,6%	11	22,9%
	30-39 years	6	11,3%	7	14,6%
	40-49 years	4	7,5%	7	14,6%
	50 years or more	5	9,4%	7	14,6%
	Total	53	100%	48	100%
Number of Employees	50 or less	17	32,1%	15	31,9%
	51-100	9	17,0%	11	23,4%
	101-150	14	26,4%	8	17,0%
	151-200	7	13,2%	4	8,5%
	More than 200	6	11,3%	9	19,1%
	N/A	0	0	1	0,1%
	Total	53	100%	48	100%

5.5 Cluster Positioning-Organizational Performance Correlation

With the objective of bringing to light hidden correlation between a cluster's position within Quazi and O'Brien's (2000) CSR model and indicators of organizational performance, Spearman's correlation coefficient was used to prove statistical significance. Significance was found on the indicators Profitability (at a 5% level) and

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Client Retention (at 1% level), but Cluster 1, representing a modern view of social responsibility, appears to indicate a better performance on all performance indicators (Figure 5), although that difference cannot be considered statistically significant.

Figure 5. Organizational Performance Indicators.
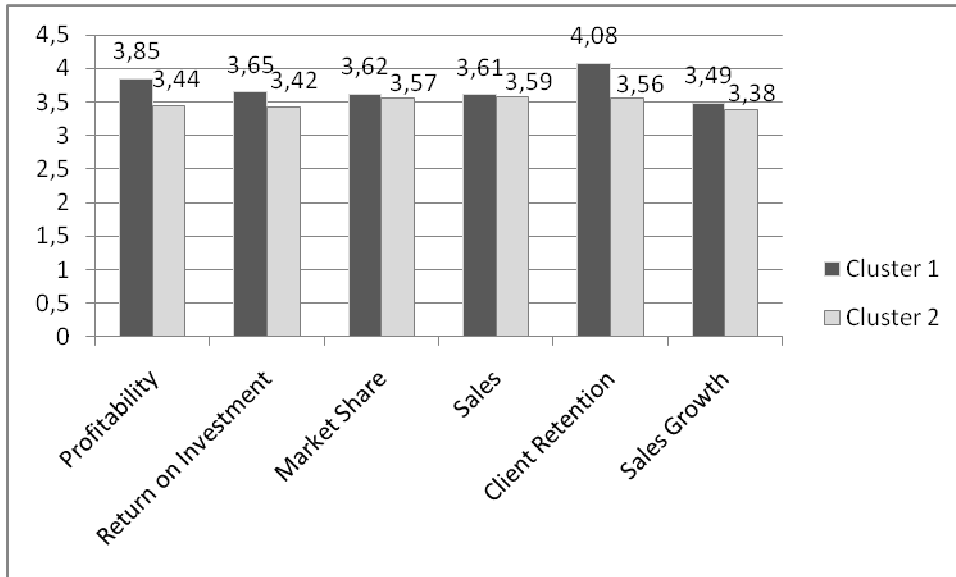
The search for a correlation between an organization's profitability and its commitment to CSR has been studied for decades with mixed results (McWilliams and Siegel, 2000), many authors agree that if used strategically CSR can become a powerful instrument for an organization's success (Drucker, 1984; Morgan and Hunt, 1994; Porter and Kramer, 2002, 2006; Abreu et al., 2005; Brownstein, 2008; Stephenson, 2009), this study seems to corroborate such findings. Also, worth of mentioning is one important factor in the context of Portuguese SMEs is the result of a special law – Lei do Mecenato – which states that all expenses in social activities are classified as socially responsible investment (SRI) and can be tax deductable (Lei Mecenato - Decreto-Lei 74/1999, de 16 de Março - I Série), bringing an extra factor encouraging responsible practices.

Client retention seems to reflect an organizations image upgrade from responsible practices. Actions classified as social responsible carry positive responses from consumers, in terms of organizational image and reputation (Machado Filho, 2002; Herrera and Díaz, 2008; Lindgreen et al., 2008) and, in this way, clients seem to maintain a certain level of loyalty to organizations that maintain this social investment and become resilient in their consuming habits.

Although none of the other performance indicators can be considered statistically significant, studies and opinions from CEOs confirm positive outcomes from social investment in terms of the return of investment (Pellet, 2008), sales (Page and Fearn, 2005; Reed, 2008) market share (Owen and Scherer, 1993) and sales growth (Lo and Sheu, 2007).

5.6 Conclusion

The first objective of this study was to test for evidence on the validity of Quazi and O'Brien's (2000) model of social responsibility, which was concluded by successful factor and cluster analysis. The second objective, to measure the precise position of Portuguese PME's both within the narrow and broad perspectives of social responsibility and the cost and benefit perspectives of social involvement, was concluded by crossing the factorial analysis with the cluster centers (Table 4-5 and Table 4-7 Final Cluster Centers, revealing two distinct clusters, one oriented towards a modern view and the other oriented towards a classical view of social responsibility. The third objective aimed to reveal a statistically significant correlation between a cluster's position in the model and the respective organization's performance indicators,

which was statistically successful in the profitability and client retention indicators. The

final results for hypotheses are represented on Table 5-8.

Table 5-8 Objectives and Hypotheses Conclusion

Objective	Hypothesis	Conclusion
Objective 1 Test the validity of Quazi and O'Brien's (2000) model of CSR	H 1.1: There is evidence supporting the validity of the model in the context of Portuguese SMEs.	Accepted
Objective 2 Locate the position of Portuguese SMEs clusters within the model	H 2.1: There is, within the context of Portuguese SMEs, a cluster orientated towards the classical view of CSR.	Accepted
	H 2.2: There is, within the context of Portuguese SMEs, a cluster orientated towards the socio-economic view of CSR.	Rejected
	H 2.3: There is, within the context of Portuguese SMEs, a cluster orientated towards the philanthropic view of CSR.	Rejected
	H 2.4: There is, within the context of Portuguese SMEs, a cluster orientated towards the modern view of CSR.	Accepted
Objective 3 Test Organizational CSR Orientation – Organizational Performance Correlation	H 3.1: There is a correlation between an organization's position in the model and its profitability.	Accepted at a 5% level
	H 3.2: There is a correlation between an organization's position in the model and its return on investment.	Rejected
	H 3.3: There is a correlation between an organization's position in the model and its sales.	Rejected
	H 3.4: There is a correlation between an organization's position in the model and its market share.	Rejected
	H 3.5: There is a correlation between an organization's position in the model and its client retention.	Accepted at a 1% level
	H 3.6: There is a correlation between an organization's position in the model and its sales growth.	Rejected

6 CONCLUSION

6.1 Introduction

The findings of this study shed some light on the situation of Portuguese PMEs concerning CSR. Two clusters representing both the modern view and classical view of social responsibility emerged from the statistical treatment of the data revealing two different perspectives on the Portuguese SME context. Also, when crossing these two perspectives with their respective organizational performance indicators, statistics revealed strong correlations on both profitability and client retention, proving that modern view organizations do, in fact, gather benefits from their CSR initiatives.

This next chapter will conclude the analysis of the objectives and the acceptance or rejection of their respective hypotheses.

6.2 Objectives and Hypotheses Conclusion

The first objective has been fulfilled based on the empirical evidence obtained from 108 Portuguese SMEs. Two clusters comprising two different views of social responsibility – modern and classical – emerged, portraying the present state of CSR perceptions in the Portuguese SMEs context. These two views seem to be consistent with the leading factors revealed by factorial analysis. Cluster 1 seems to be related with Factor 2 (business has a responsibility to society), both comprising items A4 and A16, and Factor 3 (social responsibility has economic potential), both comprising items A6 and A3, meaning that the organizations pertaining to this cluster possess a broad vision concerning social responsibility, believing that business should be involved in social

action, and that there are benefits flowing from this investment, back to the organization. Cluster 2 seems to be related with Factor 1 (Social responsibility is subversive and dangerous for firms and society in general), both comprising items A11, A24, A25, A22, A20 and A9, meaning that organizations pertaining to this cluster possess a narrow view concerning CSR, and thus organizations in this cluster defend that business should only be concerned with profit and leave social work to non-economic organizations, also this organizations do not feel that social investment could be profitable or benefic for business. Evidence for the validity of the model is thus proved through a successful factorial and cluster analysis, proving hypothesis 1.1 from the first objective, and the existence of a modern view and classical view of CSR proves both hypotheses 2.1 and 2.4 from the second objective. Since no socio-economic or philanthropic clusters were found within the sample, hypotheses 2.2 and 2.3 were rejected.

On the search for correlations between the two emerging clusters and their respective organizational performance indicators revealed that Cluster 1 – representing modern view – showed a higher performance in all indicators, although, only two can be said to be statistically significant, profitability and client retention, proving hypotheses 3.1 and 3.4 from the third objective. Return on investment, sales, market share and sales growth didn't show a statistically significant correlation, thus hypotheses 3.2, 3.3, 3.5 and 3.6 were rejected.

6.3 Management Implications

Several studies were made in the past aiming to measure to what level can CSR can be a competitive advantage (Stephenson, 2009, Porter and Kramer, 2006) and how

does it reflect in the organizational image (Herrera and Díaz, 2008), mainly with positive results, encouraging managers that wish to reap such benefits to study, develop and implement relevant CSR practices within the various sectors and stakeholders of the organization. On the other hand research has reported inconsistent results on the impact of CSR on financial performance (McWilliams and Siegel, 2000). Although based on a model that was not initially designed to measure this possible correlation between CSR and organizational performance indicators, this study concludes that there might actually be benefits hidden in a broader view of social responsibility as in the correct perception of its benefits and, in this way, further pushes the hypotheses that this correlation between CSR initiatives and organizational performance does in fact exist.

This factor is highly important for management when developing an organizational strategy, or deciding on where to place an investment, for there seems to be many hidden benefits to reap from CSR initiatives, not only "soft" benefits, as national and international visibility, support from government, legitimacy to the organization and social welfare of people, but also "hard" benefits such as profits and sales returns in the long run (Lindgreen et al., 2008).

As a word of reminder, it is to be noted that in order to accomplish the most from CSR investment and initiatives, the major part of the investment should be made strategically, and not only philanthropically, so that it should benefit both the organization and society creating both social and economic value (Porter and Kramer, 2002), or as Sousa and Duarte (2009) point out, *"it becomes clear that SMEs, in contrast to large organizations, do not maximize the advantages occurring from the implementation of CSR practices, nor are they aware of their importance in terms of their contribution to the increase of competitiveness and to the strengthening of their market position, when integrated within the company's global strategy"* (p. 233) and

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lacking this knowledge, SMEs neither contribute for the common welfare of society, nor gather benefits from CSR initiatives, making it a paramount objective to transfer this knowledge to the practical SME dimension.

6.4 Academic Implications

This study brings another empirical application of Quazi and O'Brien's (2000) model of CSR, following the studies by Déniz and Suárez (2005) in the context of Spanish Family Firms, and Jamali, Sidani and El-Asmar (2008) in the context of the Middle East, further validating this model as a tool for CSR approaches.

It also sheds some light on the context of SMEs, a dimension that lacks research when taking account the importance of its dimension, or as the European Observatory of Small and Medium Enterprises (OE SMEs, 2002, p. 52) states: *"[…] the analysis of the CSR issue in SMEs has received little attention from researchers in comparison to the CSR issues on large enterprise. This result is especially true as far as the social domain is concerned"*. It is to be appointed that although individual CSR initiatives in SMEs are smaller and have less impact on the welfare of society, when compared to large companies, the percentage of SMEs in the business dimension surpasses the percentage of large companies by gross numbers, meaning that as an absolute whole, the SMEs investment in CSR has a very relevant impact that should not be underestimated.

6.5   Limitations of the Study

Although the development of the model was solid in revealing the existence of two distinct clusters in the Portuguese SMEs sample used in this study, the correlation between CSR and the economic indicators, although statistically significant in two of the indicators used, can be biased by the use of such a small sample and should be considered exploratory at best. Being non-probabilistic the sample cannot be generalized and only used as a guide. Also, the reliability analysis for the main factors, especially factor 3, which is classified as weak, reveal that we should move with caution. As such, further studies ought to be made to triangulate and validate such a correlation, not only proving CSR to be economically profitable in a given space of time, but also encouraging business to employ responsible behavior in its everyday operations and, in this way, contributing to the common welfare and quality of life of the human race and its respective ecosystem.

The questionnaire used, although offering the possibility to reach a large number of firms, does not allow the researcher to study their perceptions and motivations in depth, which leaves a large number of unknown variables to be answered, one of the most important, in the opinion of the author, the impact of strategically developed CSR initiatives as opposed to merely philanthropic initiatives on the performance of the organization, for although organizations comprising Cluster 1 do have, in fact, a perception of benefits inherent to CSR investment, such fact does not confirm a clear strategic nature in those initiatives, and this strategic factor, as Kramer and Porter (2002) state, can be paramount to success in yielding returns.

6.6 Future Research

The versatility of the model used in this study makes it a simple and useful tool to uncover the CSR reality in different contexts other than the business world. It can be used to address the stockholders of the organizations such as clients, suppliers or community leaders and uncover their perceptions of the CSR reality. The latter are especially important as they are responsible for the legislation that will rule organizational behavior.

This study also raised some pertinent questions about the quality and success of CSR practices by business organizations. Future research should be directed to the study on the reasons of success of some CSR practices and the failing in the return of others. The author suspects that great part of the success from CSR practices comes from a previous planned analysis of such investment, empowering it with a strategic nature, and in this way providing benefits not only philanthropically to the society, but also economically to the organization, as already before mentioned by Porter and Kramer (2000)

6.7 Conclusion

This final chapter concluded the objectives and hypothesis that first started and guided this study, highlighted the academic and managerial implications of the findings, referred the limitations of the research and set some thoughts on future research.

As a final word, the author hopes that this strategic capacity of CSR initiatives to yield return will not be overlooked, diminished or underestimated by the empirical dimension, for as Albert Einstein said once: "In theory, theory and practice are the

same, in practice, they are not", and this is especially true when addressing CSR for the maximum profit ideology still stands well-rooted, meaning that both organizations and society are losing great opportunities for a symbiotic existence.

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APPENDICES

Appendix 1: Letter of Presentation sent to Organizations

Análise da Perspectiva da Responsabilidade Social Corporativa nas PME's Portuguesas

Este questionário procura medir a perspectiva das PME's portuguesas em relação à Responsabilidade Social. As respostas são confidenciais e utilizadas apenas de forma sumária, sem qualquer possibilidade de relacionar as respostas individuais com os resultados obtidos. Assim, mantendo em mente a definição elaborada pela Comissão Europeia no qual a Responsabilidade Social é "o conceito onde as empresas integram preocupações sociais e ambientais nas suas operações de negócios e nas suas relações com todos os grupos afectados pela empresa, segundo uma intenção voluntária", agradeço que responda integralmente a este questionário. Se por algum motivo não pretender responder a este questionário, por favor devolva o mesmo em branco, no envelope em anexo. Disponibilizo-me para enviar um sumário executivo, com as principais conclusões deste estudo, bastando para tal anexar um cartão de contacto ao questionário.

Instruções:

1. Preencher integralmente o questionário.
2. Colocar o questionário dentro do envelope, em anexo, e fechar.
3. Colocar no correio

De V. Exªs.
Atentamente

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Appendix 2: Self-Administered Questionnaire sent to Organizations

1. Caracterização da Orientação para a Responsabilidade Social

1.1. Como caracteriza as seguintes afirmações relativamente à responsabilidade social corporativa em Portugal? (Coloque um circulo no número correspondente à resposta pretendida.)

	Discordo Fortemente			Concordo Fortemente	
1. É possível, para as empresas, evitar a implementação de legislação futura ao adoptar práticas socialmente responsáveis no presente	1	2	3	4	5
2. O crescente envolvimento das empresas no campo da responsabilidade social pode originar um aumento das expectativas da sociedade em relação a futuros contributos das empresas neste campo	1	2	3	4	5
3. Ser socialmente responsável é uma base efectiva para competir no mercado	1	2	3	4	5
4. As empresas devem ter a consciência que são parte de um grande contexto social e, como tal, é também sua responsabilidade dar resposta aos desafios sociais	1	2	3	4	5
5. A legislação social existente trata de verificar o comportamento empresarial e, como tal, é desnecessário as empresas estarem envolvidas em programas socialmente responsáveis	1	2	3	4	5
6. Contribuir para a resolução de um problema social pode ser lucrativo para uma empresa	1	2	3	4	5
7. Políticas de legislação não são suficientes para garantir que as empresas se comportem de uma maneira socialmente responsável	1	2	3	4	5
8. Porque outras organizações sociais falharam ao resolver os problemas sociais, é agora o momento para as empresas tentarem	1	2	3	4	5
9. As empresas devem abordar unicamente os problemas sociais criados pelas suas próprias acções	1	2	3	4	5
10. A adopção de programas de âmbito socialmente responsáveis poderão desencorajar comportamento irresponsável pelas empresas	1	2	3	4	5
11. As empresas já têm muitas preocupações e não precisam de acarretar outras responsabilidades	1	2	3	4	5
12. As empresas têm os recursos e competências necessárias para abordar programas de responsabilidade social	1	2	3	4	5

13. A sociedade também espera o apoio das empresas para resolver problemas sociais (para além da sua produção natural de bens e serviços)	1	2	3	4	5
14. As empresas são primariamente uma instituição económica, e são assim mais socialmente responsáveis quando se envolvem estritamente em assuntos económicos	1	2	3	4	5
15. A adopção de programas de responsabilidade social pode ajudar a criar uma imagem empresarial favorável	1	2	3	4	5
16. As empresas têm uma responsabilidade para com a sociedade para além da criação de lucro	1	2	3	4	5
17. Os gestores empresariais portugueses precisam de formação para contribuir mais eficientemente para os problemas da sociedade	1	2	3	4	5
18. Uma empresa que ignore a responsabilidade social poderá ter uma vantagem de custos, quando comparando com outra que não o faça	1	2	3	4	5
19. Não é razoável pedir às empresas que se envolvam em programas de responsabilidade social ao estarem em conformidade com as regulações sociais	1	2	3	4	5
20. Envolvimento social poderá ser impensável para empresas de menor dimensão devido aos altos custos envolvidos que podem levar a empresa à falência	1	2	3	4	5
21. As empresas prestam melhor serviço à sociedade ao usar os seus recursos e capacidades para o seu próprio crescimento	1	2	3	4	5
22. A sociedade espera que a contribuição empresarial para o crescimento económico seja a sua única preocupação	1	2	3	4	5
23. As empresas correm o risco de enfraquecer a sua imagem pública ao deixar custos do envolvimento social unicamente para a sociedade	1	2	3	4	5
24. Pedir às empresas o seu envolvimento em qualquer outra actividade que não a criação de lucro poderá piorar a sociedade ao invés de a melhorar	1	2	3	4	5
25. É imprudente pedir às empresas que resolvam problemas sociais criados por outros e que não tenham potencial de lucro	1	2	3	4	5

2. Caracterização da Empresa

2.1. Actividade da Empresa
(Assinale apenas uma opção.)

☐ Agricultura e agro-indústria
☐ Àgua, electricidade e gás
☐ Celulose e papel
☐ Comércio
☐ Comércio de veículos automóveis
☐ Comércio electro-electrónico
☐ Construção
☐ Distribuição alimentar
☐ Distribuição de combustíveis
☐ Edição, informação e artes gráficas

☐ Hotelaria e restauração
☐ Madeira, cortiça e móveis
☐ Material eléctrico e de precisão
☐ Metalomecânica e metalurgia de base
☐ Minerais metálicos e não-metálicos
☐ Produtos farmacêuticos
☐ Química
☐ Serviços
☐ Têxteis
☐ Transporte e distribuição
☐ Vestuário e couro

2.2. Volume de Negócios

☐ Menos de 2 milhões de euros
☐ Entre 2 a 10 milhões de euros
☐ Entre 10 e 50 milhões de euros
☐ Mais de 50 milhões de euros
☐ Não sabe/Não responde

2.3. Antiguidade da Empresa

☐ 0-9 anos
☐ 10-19 anos
☐ 20-29 anos
☐ 30-39 anos
☐ 40-49 anos
☐ 50 ou mais anos

2.4. Número de Empregados

☐ <50
☐ 51-100
☐ 101-150
☐ 151-200
☐ >200

2.5. Existência de um departamento de Responsabilidade Social

☐ Departamento independente
☐ Empregado/Grupo de trabalho encarregado
☐ Nenhum

2.6. Existe na empresa algum manual ou código de ética?

☐ Sim
☐ Não

2.7. A empresa publica relatórios de responsabilidade social?

☐ Sim
☐ Não

2.8. Como classificaria a performance da empresa onde trabalha quando comparada com os seus concorrentes? (Coloque um circulo no número correspondente à resposta pretendida.)

	Pior		Igual		Melhor
1. Rentabilidade	1	2	3	4	5
2. Retorno do Investimento (ROI)	1	2	3	4	5
	Menor		**Igual**		**Maior**
3. Vendas	1	2	3	4	5
4. Quota de Mercado	1	2	3	4	5
5. Retenção de Clientes	1	2	3	4	5
	Mais Lento		**Igual**		**Mais Rápido**
6. Crescimento das Vendas	1	2	3	4	5

3. Caracterização do Inquirido

3.1. Sexo ☐ M ☐ F

3.2. Idade _____ (em anos)

3.3. Tempo ao serviço da empresa _____ (em anos)

3.4. Habilitações Literárias

☐ Ensino Básico
☐ Ensino Secundário
☐ Formação Profissional
☐ Bacharelato
☐ Licenciatura
☐ Pós-graduação/Mestrado
☐ Doutoramento

3.5. Posição na empresa

☐ Administração
☐ Direcção
☐ Outro

3.6. Posição de trabalho relacionada com o Marketing/Responsabilidade Social?

☐ Sim
☐ Não

**Por favor verifique se respondeu a todas as questões.
Insira o questionário no envelope, em anexo, e deposite-o no correio.**

Muito Obrigado pela sua Participação!