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Drivers and outcomes of CSR engagement in UK SMES

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ABSTRACT

Building on insights from the motivation-opportunity-ability (MOA) theory, we develop and test a conceptual framework of perceived antecedents, contingencies, and broader performance outcomes of corporate social responsibility (CSR) engagement within small and medium enterprises (SMEs). By following a micro-level approach and using multisource data including a sample of 219 responses from UK entrepreneurs and objective performance data, we reveal the importance of perceived individual-level characteristics such as the entrepreneur's personal values and competence, as well as the moderating role of perceived firm-level employee supportiveness in strengthening CSR engagement. We further highlight the positive effects of CSR engagement on a broad range of business, social and environmental performance outcomes as revealed by the entrepreneurs in our sample.

KEYWORDS

CSR engagement; personal values; entrepreneurial competence; perceived employee supportiveness; business performance; social and environmental performance

Introduction

The challenges posed by global realities, such as the climate crisis, the adverse impacts of corporate operations on local communities, and the consequences of the COVID-19 pandemic, have brought about a paradigm shift in business environments (Juergensen et al., 2020; Nicoara et al., 2019; Wright & Nyberg, 2017). In this landscape, small and medium enterprises (SMEs), classified as firms with up to 250 employees (European Commission, 2019) are increasingly seen as central in "delivering sustainable and inclusive growth" (OECD, 2019, p. 3). The academic community has shown a growing interest in the expanding role of SMEs in sustainability, with a noticeable shift in CSR research toward smaller businesses, moving away from its previous focus on large, global corporations (George et al., 2020; Ortiz-Avram et al., 2018).

We add to the growing literature linking SMEs and CSR engagement defined as the actions and procedures purposefully aimed at furthering social and environmental goals (adapted from Godfrey et al., 2009; Husted et al.,

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2016) by addressing several important gaps. First, studies examining the role of micro-level[1] factors in driving CSR engagement in SMEs are relatively scarce (Fassin et al., 2015) with research predominantly emphasizing the relevance of macro-level factors such as the availability of organizational resources, the influence of institutional contexts, or the role of external stakeholders (Aguinis & Glavas, 2012; Amaeshi et al., 2016). This gap is somewhat surprising considering that SMEs may not always have the means to develop extensive CSR policies, dedicated departments, or sustainability management systems (Osagie et al., 2016). Given the relatively limited nature of these structural systems in SMEs, a critical focus toward key individual decision-makers, namely entrepreneurs, defined as founders or cofounders actively engaged in company management and ownership (Lazar et al., 2020) is needed (Pillai et al., 2022). In recognizing that entrepreneurs make choices related to their ventures aligned with their moral compasses and capabilities (Jenkins, 2009), it is worthwhile to investigate their potentially contrasting values and competencies (Gond et al., 2017; Tian & Robertson, 2019) to explain the micro-level drivers of CSR engagement in SMEs. Existing models typically explore a limited set of key individual variables (for example, Choongo et al., 2018; Gorgievski et al., 2011), often overlooking the interplay of multiple antecedents and as a result offer partial confirmations of hypothesized relationships. Thus, further investigations of comprehensive frameworks that test several mechanisms simultaneously (Aguinis & Glavas, 2012; Glavas, 2016), such as broader range of antecedents of CSR engagement (Gond et al., 2017; Lythreatis et al., 2019) and their potential differential effects are necessary.

Second, there is limited understanding regarding the factors that condition CSR engagement in SMEs (Glavas, 2016; Rupp et al., 2013) and further enquiries into boundary effects related to CSR engagement in SMEs can be beneficial (Tian & Robertson, 2019). The examination of contingency effects can help identify more effective pathways for integrating CSR within these businesses. Yet, the current literature is narrow in understanding the factors that strengthen or weaken the scope of CSR engagement (Gond et al., 2017; Zou et al., 2021). Addressing this gap is essential for enriching scholarly discourse on SMEs and CSR and providing a clear roadmap for SMEs to navigate and optimize their initiatives in harmony with the evolving nature of entrepreneurship.

Third, comparatively few studies have assessed more comprehensive models of SMEs' CSR engagement outcomes. While existing research focuses predominantly on the financial benefits of CSR initiatives (Amaeshi et al., 2016; Martínez-Conesa et al., 2017), the broader, social, and environmental

[1]In line with established categorizations (that is, Davidsson, 2015), throughout this manuscript, the micro-level refers to the individual (owner), the team (employees), and the firm (SME).

impacts of CSR engagement remain unclear (Graafland & Smid, 2016; Kraus et al., 2020). This is likely due to the inherent emphasis on immediate or tangible benefits, a prevalent viewpoint in firms with resource constraints (Lee et al., 2016). However, investigating the holistic impacts of CSR endeavors beyond conventional outcomes is needed to understand the potential for value creation across business, social, and environmental consequences (Graafland & Smid, 2016; Kraus et al., 2020). Failing to do so may result in a fragmented knowledge and missed opportunities to chart a sustainable course for SMEs.

In response to calls for more micro-level research into the CSR activities of smaller firms (Bikefe et al., 2020; Dey et al., 2020; Kraus et al., 2020), the primary purpose of this study is to examine the direct and indirect effects of entrepreneurial perception on CSR engagement and resulting outcomes in SMEs. Drawing from the motivation – opportunity – ability (MOA) theory (Blumberg & Pringle, 1982), we investigate how entrepreneurs motivated by self- and other-regarding values, enabled by entrepreneurial competence and contingent on the opportunities created by their perception of employee supportiveness engage in CSR activities to improve their business, social and environmental outcomes.

We make three contributions to extant literature. First, by applying MOA theory (Blumberg & Pringle, 1982) we provide a complementary micro-level theoretical perspective to existing SME and CSR studies underpinned predominantly by traditional CSR theories such as stakeholder, resource-based view, or institutional theories (compare Bikefe et al., 2020; Ortiz-Avram et al., 2018). We investigate the impact of individual attributes of entrepreneurs on CSR engagement and related performance outcomes in their SMEs. We reveal that while the motivation to introduce and the ability to engage in CSR serve as key individual-level drivers of CSR engagement, these associations are contingent on perceived firm-level opportunities found in entrepreneur's assessment of employee supportiveness.

By integrating insights from the wider entrepreneurship field, we examine the differential effect of two categories of personal values of SME entrepreneurs (Agle et al., 1999; Schwartz, 1992) on the degree of perceived CSR engagement. We contribute to research highlighting the need to "explore the relationship between personal values and CSR among established entrepreneurs" (Choongo et al., 2018, p. 547). By introducing an additional individual-level antecedent, we illustrate the importance of entrepreneurial competence (Lans et al., 2011) for CSR engagement. In doing so, we follow a tradition of work that theorizes spillovers of psychological processes (for example, beliefs, affects, and attitudes) and cognitive perceptions of entrepreneurs to the firm-level (for example, Baron & Tang, 2009; Chaston & Sadler-Smith, 2012).

Second, we contribute to research uncovering the boundary conditions of CSR engagement in SMEs. We provide a better understanding of how, to entrepreneurs, a CSR-enabling environment can be fostered by the perceived

supportiveness of their employees (Slack et al., 2015), acting as a moderating variable in our study. Considering high levels of employee involvement in SMEs (Sendlhofer, 2020), we further clarify the effects of perceived employee supportiveness in entrepreneurs' CSR decision-making and demonstrate how those effects matter for CSR engagement. Consequently, our study's contributions are not limited to providing new insights into perceived CSR engagement through the direct effects of individual-level drivers, as we also shed light into perceived firm-level contingency effects (Tian & Robertson, 2019).

Finally, by conceptualizing CSR engagement outcomes according to a long-term view of business development, we contribute to research that investigates broader, value-creating benefits of responsible practices (Dey et al., 2020; Moore et al., 2009). Evidencing positive impact of CSR engagement on business as well as social and environmental performance outcomes (Anser et al., 2020; Kraus, 2020), we widen the scope SME outcomes from the perspective of entrepreneurs as key decision-makers in their ventures.

Theoretical foundation and conceptual model

CSR engagement

As an umbrella term, CSR, a constantly evolving and often contested concept, has been discussed as a channel through which firms address their societal expectations (Bikefe et al., 2020). The Commission of the European Communities (CEC, 2001, p. 6) 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." Likewise, Öberseder et al. (2011) explain CSR engagement as the integration of social and environmental strategies, actions, and policies into organizational practices. When it comes to SMEs, this integration reflects a deliberate and active involvement through measurable solutions in areas such as sustainable sourcing and production, community support or employee engagement among others (Godfrey et al., 2009; Husted et al., 2016). This underscores the importance of setting clear objectives for CSR, enabling SMEs to later assess their progress and impact. For instance, the UK SME Pact Coffee has set several successful goals including being carbon-neutral, using 100% green energy and roasting coffee within two to three days of delivery to maximize roasting capacity and minimize energy use (Pact Coffee, 2022). The example indicates that SMEs that articulate specific CSR goals are better positioned to integrate those in their practices (Wijethilake, 2017).

The nature of CSR engagement in SMEs is inherently context-specific; the surrounding environment shapes and influences the CSR activities undertaken by these firms. Unlike MNEs and larger companies, SMEs exhibit a distinct characteristic–they are more intimately connected with their stakeholders (Pillai et al., 2022). For example, the UK food delivery company Abel & Cole

has engaged in CSR by setting targets to provide support for local communities through their employee teams that get at least one paid volunteering day a year to spend on initiatives such as planting trees, preparing donation meals and raising funds for local community gardens (Abel & Cole, 2022). This means that for SMEs CSR engagement is deeply entwined with the very communities they serve; these firms are inherently drawn to issues that are closer to home (Jenkins, 2009; Murillo & Lozano, 2006).

Overall, SMEs play a pivotal role in local economies as they navigate through dynamic landscapes and business ecosystems. In their strive for growth and sustainability, SMEs are bound to recognize the increasing importance of incorporating CSR practices into their business strategies (Pillai et al., 2022) and the unique opportunities CSR presents to balance long-term success and equity (Porter & Kramer, 2019).

Motivation-opportunity-ability theory

MOA theory (Maclnnis et al., 1991) has been examined in different management research streams such as human resource management, innovation, information systems, and entrepreneurship (for example, Ben Arfi & Hikkerova, 2021; Han et al., 2019; Mom et al., 2019) among others. The MOA framework has been particularly useful in explaining mechanisms behind the perceptions, decisions and behaviors of individuals within managerial and entrepreneurial roles, influenced by the skills required for and perceived conditions facilitating the execution of these behaviors (Maclnnis et al., 1991).

At its core, MOA emphasizes three fundamental characteristics that determine the performance of individuals (for example, employees or managers) or organizations (for example, firms or governing bodies)—namely, their motivation, opportunity, and ability (Blumberg & Pringle, 1982). Following established conceptualizations of MOA as a meta-theory, which "transcends specific topics and domains of study" (Kim et al., 2015, p. 785) and in line with scholars who have transposed MOA dimensions across management fields and topics (for example, Chai & Baudelaire, 2015), we apply the elements of MOA theory to the domain of CSR.

Motivation represents the willingness or impetus to engage in specific actions (Maclnnis et al., 1991) and is denoted by the personal values of individual entrepreneurs. Both other-regarding and self-regarding values—as a form of motivation—can be seen as catalysts for entrepreneurs' behavior in this study. Literature shows that personal values motivate behavior and guide the decision-making of individuals such that an entrepreneur's perceptions of their business environment and their subsequent actions are driven by their personal values that serve as important motivating factors (Holland & Shepherd, 2013).

Within the MOA framework, opportunity captures the situational conditions that facilitate the outcomes of particular efforts (Maclnnis et al., 1991).

Notably, opportunity relates to contextual and situational factors and represents perceptions of internal or external support for certain behaviors and actions (Hughes, 2007). Thus, opportunities are often present in an individual's work environment, shaping the interplay between situational constraints, enabling mechanisms, and resulting actions (Yildiz et al., 2019). We consider the view of entrepreneurs on a firm-level factor—perceived employee supportiveness (Slack et al., 2015; Wei & Morgan, 2004)—as the opportunity component, and investigate whether it conditions the relationship between motivation, ability and action (Gruen et al., 2007), namely between entrepreneurial values, competencies, and perceived CSR engagement.

Alongside being motivated to engage in CSR and benefiting from perceived available opportunities, entrepreneurs need to possess the ability to do so. Ability refers to the skills and capabilities required to perform particular actions (Maclnnis et al., 1991). For entrepreneurs, their ability is often manifested in the skillset and competencies they are equipped with. These competencies enable them to make decisions and take actions perceived as beneficial for their enterprises (Kyndt & Baert, 2015).

In sum, we theorize that CSR engagement in SMEs is a combined function of MOA-linked factors in the following way: while individual-level characteristics of entrepreneurs such as their motivation and ability drive CSR engagement, the strength of these initiatives is contingent on firm-level opportunities brought by the degree of perceived employee supportiveness in entrepreneurial decision-making. That is, entrepreneurs motivated by their personal values to engage in CSR leverage their ability and capitalize on the opportunity of perceived employee supportiveness to do so. Figure 1 illustrates our conceptual framework.

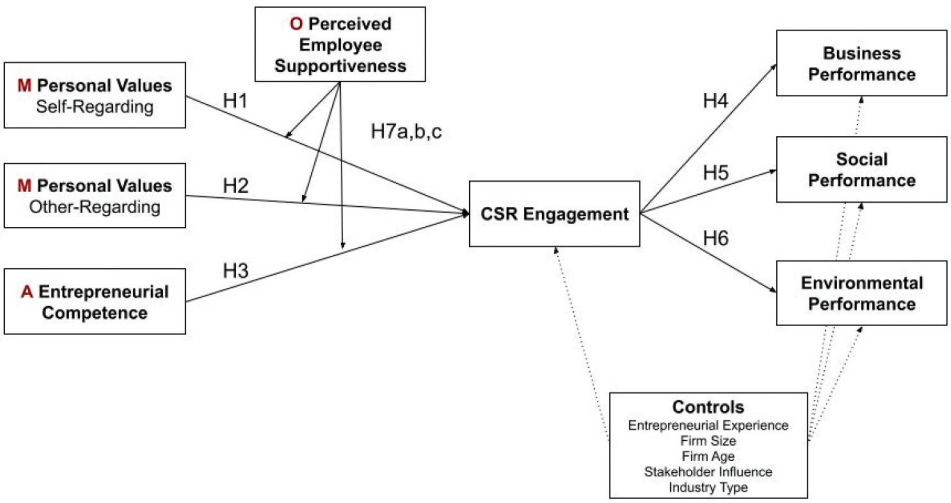

Figure 1. Conceptual framework. *Notes*: M denotes the motivtion component of MOA; O the opportunity component, and A denotes the ability component of the MOA theory.

Hypotheses development

Motivation: The role of personal values

Personal values, the motivation element of the MOA framework, are defined as "desirable trans-situational goals, varying in importance that serve as guiding principles in the life of a person or other social entity" (Schwartz, 1992, p. 21). The business context for SMEs is personal, and most times, entrepreneurs are inseparable from their businesses, often embedding their values and views in their business practices (Fuller & Tian, 2006).

Entrepreneurial perception is important since entrepreneurs are closer to the firm and have stronger decision power in SMEs, and so can more easily champion CSR practices throughout the company (Jenkins, 2009). Personal values guide the decision-making processes of ventures, influencing entrepreneurial perceptions of organizational goals (Holland & Shepherd, 2013).

The values spectrum distinguishes between self-regarding values, which are oriented toward the individual, and other-regarding values, oriented outwardly, toward society at large (Agle et al., 1999). While literature on SMEs and CSR supports the view that owner's values can have implications for CSR (Jamali et al., 2017), the differential effect of opposing values (Choongo et al., 2018), or their predictive power in explaining CSR behaviors within SMEs (Hemingway, 2005) remains unclear.

Self-regarding values, such as personal pleasure, comfort, and wealth highlight an individual's self-interest and relative success and control over others (Schwartz & Bardi, 2001). The concerns of others are not immediately important to individuals driven by self-interest (Schwartz et al., 2000). Individuals who value highest the achievement of personal wealth and success will tend to focus on maximizing personal gains and thus be less concerned with benefiting society by championing social and environmental issues, for example. Fukukawa et al. (2007) reported that social benefits and outcomes are secondary to self-regarding entrepreneurs, as opposed to other-regarding ones, driven by altruistic values.

As personal values influence organizational strategies, for self-oriented entrepreneurs, who prioritize goals that are more likely to enhance their self-interest, engaging in CSR is less likely to occur, considering the monetary effort involved and the lack of tangible, personal gain (Schwartz & Bardi, 2001). A concern for the welfare of others is likely to fall into conflict with more immediate, self-enhancing aspirations. Self-regarding entrepreneurs are likely to prioritize strategies that are more immediately linked to their self-enhancing values, to the detriment of CSR (Fritzsche & Oz, 2007). Thus, we hypothesize that:

H1: Self-regarding values of entrepreneurs are negatively related to CSR engagement in their SMEs.

On the contrary, *other-regarding values*, comprising of empathy, equality, and helpfulness, emphasize concern for the welfare of others and society at large and involve transcending self-interest for the sake of others (Schwartz, 1992; Schwartz et al., 2000). Schultz et al. (2005) found that other-oriented values (positively), and self-oriented values (negatively) predict general concern for environmental issues. Other-regarding values such as social-altruistic concerns can motivate people to surpass selfish interests and promote the welfare of others (Schultz et al., 2005). Research shows that entrepreneurs can display values not related to profit (Fassin et al., 2015), and by exhibiting other-regarding values they are more likely to be committed to their CSR engagement (Williams & Schaefer, 2013).

Hemingway and Maclagan (2004) acknowledge the link between other-regarding values and CSR development in firms, showing that stronger forms of CSR are a consequence of the empathy that altruistic entrepreneurs feel toward others. Entrepreneurs who place a strong weight on others' interests tend to have a predisposition toward CSR (Santos, 2011), and CSR action can be motivated by altruistic reasons (Hemingway & Maclagan, 2004). Thus, we hypothesize that:

H2: Other-regarding values of entrepreneurs are positively related to CSR engagement in their SMEs.

Ability: The role of entrepreneurial competence

While the personal values of entrepreneurs can play a key motivating role in CSR engagement, alone they are not sufficient in explaining the CSR decision-making process of entrepreneurs. Literature has shown that *entrepreneurial competence* – the ability component of the MOA framework, defined as the ability to apply knowledge, skills, and judgments in an entrepreneurial context (Lans et al., 2011) is of crucial importance for a firm's performance (Man et al., 2002) and the survival of small firms (Gibb, 2002). Entrepreneurial competence does not only support the growth of new and existing businesses but also encourages an entrepreneurial mind-set driven by one's creative potential, existing knowledge, and skills (Foucrier & Wiek, 2019). To ensure the successful function of their firm, entrepreneurs need to possess analytical, pursuing, and networking competencies. Analytical competence refers to how entrepreneurs process and connect information; pursuing competence revolves around the determination of opportunities; while networking competence allows entrepreneurs to connect and share knowledge (Lans et al., 2011).

Research has shown that the CSR activities of SMEs are associated with improved business performance (Jain et al., 2016). Skilled entrepreneurs are likely to try and explore how to address specific social and environmental

needs through their entrepreneurial activities (Akhtar et al., 2018; Moore et al., 2009) because they are likely to recognize that CSR engagement can bring benefits (Ploum et al., 2018). Entrepreneurial competence enhances the understanding of the importance of caring for the environment, society, as well as gaining a good business reputation (Smith et al., 2012). Being competent, entrepreneurs are expected to realize that a hands-on approach to CSR is advantageous to their firm, therefore:

H3: Entrepreneurial competence is positively related to CSR engagement in SMEs.

The role of CSR engagement

CSR engagement and business performance. *Business performance* is a pervasive research topic within the field of entrepreneurship, that occupies a central role in assessing the survival and success of SMEs (Kraus et al., 2008). It is outlined as a complex, multidimensional phenomenon, that consists of financial and market performance elements (Katsikeas et al., 2000). The financial performance dimension focuses on profitability indicators, while market performance covers broader customer and competitiveness measures (Morgan, 2012).

While CSR engagement in SMEs is poised to deliver multifaceted benefits, underpinning significant enhancements for both business performance dimensions, it has been more often linked to financial rather than market performance outcomes (Martínez-Conesa et al., 2017; Waddock & Graves, 1997). Scholars investigating the interplay between CSR and financial performance in SMEs outlined that proactive CSR could lead to an improvement in the financial performance of the SMEs (Flammer, 2015; Torugsa et al., 2012). This can be achieved in a number of ways. For instance, SMEs with strong CSR profiles may find it easier to attract investment or secure favorable lending terms (Dhaliwal et al., 2014) reflected in informed financial stability and growth opportunities. Similarly, CSR engagement can improve market diversification by helping SMEs build relationships in new markets (Luo & Bhattacharya, 2006). In a similar vein, CSR engagement is likely to promote higher levels of efficiency and cost reductions (Jenkins, 2009) in the long-term. For example, the actions of SMEs engaged in integrating policies on energy-efficiency or waste reduction not only align with CSR principles, but can also result in cost savings over time (Orlitzky et al., 2003). As a result, CSR engagement can boost profitability for these firms (Jain et al., 2016) and enable better return on investment (Dhaliwal et al., 2014).

CSR has also been framed as a strategic priority and an important source of improved market performance and competitive advantage, that can enable SMEs to streamline their production capabilities in less harmful and more

sustainable ways (Porter & Kramer, 2019). For example, research has demonstrated that for consumers, a positive CSR perception leads to several pro-firm short-term behaviors such as purchase intention or product utilization (Hanaysha, 2018), as well as long-term effects like loyalty (Pérez & Rodríguez Del Bosque, 2015), or brand image (López-Pérez et al., 2017). These positive outcomes emerge because consumers often evaluate companies and make purchasing decisions using criteria beyond the monetary value of the offering—low prices do not compensate for low levels of social responsibility. In other words, customers are inclined to favor companies that demonstrate engagement in social and environmental concerns (Dobers & Halme, 2009). As a result, a company's CSR behavior has the potential to attract and retain a steady customer base (Mohr & Webb, 2005) as well as increase sales (Margolis & Walsh, 2003).

Thus, CSR engagement can bolster both the financial and market outcomes of SMEs (Le et al., 2021). CSR engagement not only contributes to sustainability goals of SMEs, but also offers these firms multiple opportunities to reap business-related benefits. Therefore:

H4: CSR engagement is positively related to the business performance of SMEs.

CSR engagement and social performance. Considering the nuances and demands of the current business environment, the argument that CSR is only important if it has a positive effect on business performance is less likely to apply to SMEs. This is expected due to the distinctive role SMEs play in their local communities and economies. SMEs are often deeply embedded in the social fabric of their surroundings (Pillai et al., 2022), where entrepreneurial activity can help build and improve business settings, creating significant social outcomes (Rindova et al., 2009). Unlike large corporations with more extensive resources (Lee et al., 2016), SMEs' actions can have a more direct and significant impact on their immediate communities.

Social performance is defined in line with previous research (Schreck, 2011; Stephan et al., 2016) as beneficial outcomes resulting from organizational strategies that exceed firm-level objectives and are experienced by the employees of the company as well as by external groups such as the broader community (Santos, 2011). Social performance includes the successful integration of employee relations, benefits, as well as diversity and inclusion strategies aimed to generate trust and loyalty with its workforce. It also reflects the firm's capacity to positively impact the broader community in which the firm operates and considers externalities or outcomes whose beneficiaries are external groups (Murillo & Lozano, 2006). As defined above, social performance goes beyond mere business outcomes and encompasses broader social

benefits resulting from an organization's actions. SMEs are well-positioned to influence these aspects of social performance due to their proximity to their workforce and communities, resulting in a better responsiveness to the issues at hand.

Research points out that long-term CSR strategies yield more substantial social outcomes than nonstrategic, short-term ones (Husted & Allen, 2007; Porter & Kramer, 2006). When SMEs operate from the responsibility perspective, their CSR efforts tend to be aligned with business operations. This alignment with core activities increases the potential for SMEs to generate specific and tangible social outcomes. For instance, SMEs may invest in employee relations, provide better benefits, and actively pursue diversity and inclusion strategies. These actions not only foster trust and loyalty within their workforce, but also contribute to the broader community by creating employment opportunities and promoting social inclusivity. Thus, SMEs have a greater potential to accrue successful social benefits that are more specific than, for instance, reputation enhancement or stakeholder goodwill. Furthermore, the long-term nature of CSR activities adopted by SMEs makes them less likely to abandon these efforts over time because the sustained commitment to CSR can translate into positive outcomes for both SME employees and the communities in which they operate. These actions can lead to a virtuous cycle where the well-being of employees and prosperity of local communities are mutually reinforcing (Galpin & Whittington, 2017). Thus:

H5: CSR engagement is positively related to the social performance of SMEs.

CSR engagement and environmental performance. *Environmental performance* is defined as the actions taken to incorporate environmental considerations in the firm's strategic decisions to reduce the environmental impact of its operations (Tyteca, 1996). Environmental performance measures the impacts of CSR engagement initiatives on the environment in areas such as energy and emissions reductions or improvements in compliance with environmental standards (Kraus et al., 2020; Laosirihongthong et al., 2013). The environmental performance of SMEs is at the heart of reaching sustainability goals, driving the "green transformation of the economy" (OECD, 2019, p. 16). As a result, SMEs' potential contributions toward the protection of the environment and its resources are crucial (Kraus et al., 2020).

While there is growing research into the positive effects of environmental performance on the competitiveness of firms or improvements in market share (Dangelico & Pontrandolfo, 2015), researchers have pointed out that the extent to which CSR contributes to improvements in the environmental performance of SMEs has "rarely been adequately addressed" (Graafland &

Smid, 2016, p. 297). There are a few notable exceptions: Chuang and Huang (2018) show that environmental CSR significantly improves firms' impact on the environment; Anser et al. (2020), acknowledge that CSR commitment and participation play a determining role in a firm's environmental performance; while Dey et al. (2020) reveal that CSR practices help enhance the overall sustainability performance of SMEs. One explanation for these effects is that when SMEs actively engage in CSR, they become more conscious of their environmental impacts and the importance of sustainability, motivating them to take actions to reduce their environmental footprint. Similarly, as entrepreneurs place a stronger emphasis on CSR engagement, they are also more likely to consider their long-term environmental impacts and act from a position of care for the environment and its resources. This heightened environmental consciousness leads them to prioritize resource efficiency and embrace eco-friendly processes, reducing resource consumption and complying with environmental regulations. In a similar vein, CSR engagement can foster expertise in technological processes and innovation in sustainable practices, likely offering SMEs superior environmental achievements.

Being proactive in socially responsible activities can therefore result in environmentally responsible strategic choices, driven by heightened environmental consciousness and sensitivity to pro-environmental changes and guidelines (Rivera et al., 2017). Consequently, when SMEs exhibit a higher level of perceived CSR engagement, they are more likely to advance their environmental performance through informed decision-making, adaptability to evolving environmental expectations, and innovation-driven sustainable practices. Thus:

H6: CSR engagement is positively related to the environmental performance of SMEs.

Opportunity: The role of perceived employee supportiveness

We define perceived *employee supportiveness*—the opportunity component of the MOA framework, as the set of global beliefs held by an entrepreneur about the extent to which employees value and care about the entrepreneur's work and wellbeing (adapted from Eisenberger et al., 1986; Slack et al., 2015). At times, being motivated and able to act might not be sufficient for entrepreneurs, or the desired result might be harder to achieve. Yet this might change when entrepreneurs perceive that employee support is available, enabling behavior within MOA theory (Hughes, 2007). We argue that perceived employee supportiveness (opportunity) conditions the relationship between personal values (motivation), competence (ability), and perceived CSR engagement. Entrepreneurs who see themselves supported by employees are more likely to feel comfortable and reassured with their strategic choices (Wei & Morgan, 2004). Perceived employee supportiveness fuels entrepreneurial motivation stemming from personal values.

On the one hand, entrepreneurs backed by perceived employee supportiveness and motivated by self-regarding values may be less likely to engage in CSR. Self-centrism highlights individuals' self-interest and self-enhancement goals (Schwartz & Bardi, 2001). Motivated by personal achievements, self-regarding entrepreneurs may see CSR activities as diverting resources from their primary goal of maximizing profits or view them as an additional burden that detracts from their ability to focus on core business activities. In this context, if employees support the entrepreneur's principal focus of profit-maximization, the entrepreneur may be less likely to engage in CSR activities. The employee desire of "fitting in" even in an amoral organizational environment (Sheedy et al., 2021), influenced by an overly self-regarding entrepreneur, has also been observed in previous research (Hemingway, 2005). Employees might align with the prevailing culture and values of their organization (that is, those of entrepreneurs in SMEs), regardless of whether those values are considered ethical or not. In other words, this desire to "fit in" can even occur in environments where the entrepreneur prioritizes self-interest over ethical considerations. This form of perceived silent support may have negative implications for CSR engagement.

When self-regarding entrepreneurs perceive that their employees are supportive of their primary business decisions, they may not see an urgent need to engage in noncore activities such as CSR engagement as these may be seen as nonessential, time-consuming or costly. A perception of overall employee supportiveness can lead to a validation that there is no urgent need to prioritize social responsibility for self-regarding entrepreneurs. Following this argument, entrepreneurs who are primarily concerned with themselves (Fukukawa et al., 2007), will feel less motivated to engage in CSR when they feel supported in their entrepreneurial decisions by the employees. Thus:

H7a: Perceived employee supportiveness strengthens the relationship between self-regarding values of entrepreneurs and CSR engagement in their SMEs.

On the other hand, the perceived supportiveness of staff for entrepreneurs with a strong concern for others will enhance their existing beliefs, goals, and decisions regarding engaging in CSR practices. A perceived supportive climate is likely to bolster this concern for others (Tang & Tang, 2018); and when entrepreneurs feel supported by their employees, their willingness to care for others stemming from their own positive experience becomes even stronger (Berson et al., 2008). Thus, entrepreneurs feeling supported by their employees and guided by other-regarding values are likely to increase their CSR engagement and act upon a concern for the welfare of others (Schultz et al., 2005; Schwartz et al., 2000).

Another explanation could be that when entrepreneurs exhibit more other-regarding values, they may feel more supported by employees, which is based

on the assumption that employees appreciate and respond positively to leaders who prioritize the well-being of others (Frisch & Huppenbauer, 2014). Such perceived support can create a virtuous cycle in SMEs run by other-regarding entrepreneurs, whereby their commitment to CSR is reinforced by a perceived supportive response from employees, which, in turn, encourages the entrepreneur to continue engaging in CSR further. This cycle strengthens the connection between the entrepreneur's values, CSR practices, and employee support. Thus, a process of continuous reinforcement creates a positive feedback loop (Galpin & Whittington, 2017). Overall, perceived employee supportiveness can create a shared sense of purpose and a commitment to social responsibility, where perceived employee supportiveness strengthens the effect of entrepreneurs' other-regarding values on CSR engagement. Therefore:

H7b: Perceived employee supportiveness strengthens the relationship between other-regarding values of entrepreneurs and CSR engagement in their SMEs.

While literature suggests that perceived competence can influence individual situational appraisal and decision-making (Lazarus, 1999), it also highlights the salience of perceived support in this regard (Freeman & Rees, 2009). This support perception has been linked with increased developmental activities and the advancement of functional and managerial skills (Allen et al., 2003). The presence of supportive staff in entrepreneurs' perspective is likely to facilitate the application of entrepreneurial knowledge and skills (Lans et al., 2011) to their decision-making. This could also explain that competent entrepreneurs, operating in a perceived supportive and enabling environment, may also consider and engage in CSR even more (Moore et al., 2009; Ploum et al., 2018).

Perceived employee supportiveness is likely to reassure entrepreneurs of the soundness of their decisions (Guffey & Nienhaus, 2002), for example when it comes to CSR. As noted earlier, CSR practices can also bring financial rewards for SMEs (Jain et al., 2016), and competent entrepreneurs are likely to understand and act on this. When entrepreneurs perceive themselves as being supported by employees, they gain reassurance about their entrepreneurial competence and resulting decisions and behaviors. This reassurance may boost their engagement in CSR initiatives, because they know that these initiatives could also be profitable for the company. The extent to which a firm has an organizational climate in which entrepreneurs perceive their employees as being supportive is thus likely to impact the link between entrepreneurial competence and the firm's CSR engagement. Hence:

H7c: Perceived employee supportiveness strengthens the relationship between entrepreneurial competence and CSR engagement in their SMEs.

Methods

Context, sampling procedure, and survey response

We test the hypotheses using data collected from entrepreneurs of SMEs in the United Kingdom. The UK market as a strong economic power with significant entrepreneurial activity (Euromonitor International, 2019) and increasing CSR initiatives (United Nations, 2019), is deemed as a suitable geographical scope for this study. Respondents were recruited using Qualtrics Panel Services, following data collection procedures and recommendations regarding the selection criteria for obtaining viable and reliable datasets from business owners (Hulland & Miller, 2018). Before launching a full-scale survey, 25 respondents were selected to take part in the pretest. Having completed the questionnaire, these respondents were also asked to provide general comments about the study's characteristics, the subjects covered, and the questionnaire's general flow. The pilot stage resulted in minor amendments in the wording and layout of the questionnaire. Subsequently, 219 usable questionnaires were collected applying a set of eligibility criteria: respondents defined as founders or cofounders of the company with up to 250 employees and established business operations for at least one year. The use of online research panel services for data collection ensured overall higher quality of responses (Goodman et al., 2017). To achieve a comprehensive analysis and general market overview, a range of industries was chosen for this study, to allow diversity in the data, as well as to account for any industry-related factors that might be of additional interest. Due to the data collection taking place in the UK, we have applied Standard Industrial Classification (SIC) Industry codes for the companies in our sample (Office for National Statistics ONS, 2022).

A tailored designed survey with a structured questionnaire and a cover letter targeting entrepreneurs of SMEs in the UK was developed. To enhance response and obtain quality data, the cover letter explained the importance and objectives of the study, noted that the respondent had to be an entrepreneur (that is, an individual who had established the business), and stated that the research was conducted under the guidance and ethical approval of an academic institution. Respondents were promised anonymity and confidentiality. We also performed a post hoc test for evaluating informant competency in this survey, in accordance with Kumar et al. (1993). Therefore, the concluding section of the questionnaire assessed (on a 7-point scale with 1 = very low and 7 = very high) each respondent's (1) familiarity with the issues addressed in the questionnaire, (2) knowledgeability of the firm's environmental activities, and (3) confidence in answering the survey questions. If an informant responded with 6 or above to at least two of the three specific informant

competency questions, they were considered qualified to complete the questionnaire (Hibbard et al., 2001). We examined individual responses for the competency questions and the means ranged between 5.74 for respondent knowledgeability of the environmental activities toand 5.84 for respondent confidence in answering the questions. These results are highly comparable with those deemed acceptable previously (for example, Schilke & Cook, 2015), suggesting key informant competency in this research.

Of the participants, 84 (38.4%) were female, and 135 (61.6%) male, 112 were founders and 107 – cofounders of the company. On average, firm age was 12.24 years ($SD = 5.53$) and those employed 65.73 employees ($SD = 31.25$). 131 (59.9%) entrepreneurs had a university degree, were 41.53 years old and exhibited entrepreneurial experience of 14.19 years ($SD = 6.90$). Approximately 73% of the sample firms were from service sectors (for example, real estate, education, hospitality, consulting, transportation), and 27% operated in manufacturing industries (for example, textiles, furniture, metal construction, timber, technological development). A more detailed breakdown of the industry composition in our sample is provided below in Figure 2.

Survey bias assessment

Following procedures recommended by Armstrong and Overton (1977), we assessed the presence of nonresponse bias by comparing early and late respondents. Using a t-test procedure under assumptions of equal and unequal group variances, a mean comparison of the first and last quartiles of respondents for all the study constructs revealed no significant differences. In addition, a comparison between respondents and a random group

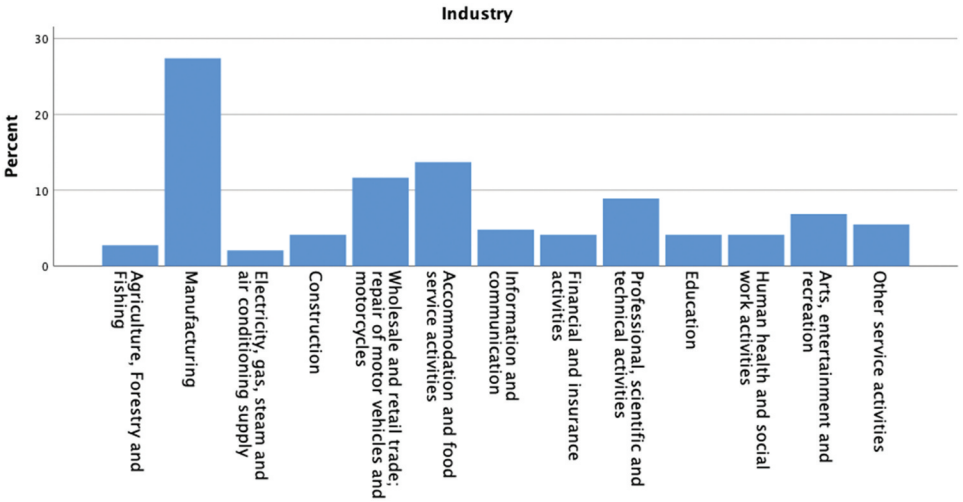

Figure 2. Industry composition of the sample.

of 75 nonrespondents with regard to firm size and age likewise suggested no significant differences. Thus, nonresponse bias does not appear to be an issue of concern in this study.

To limit potential common method bias (CMB), we used a series of preventative techniques (Podsakoff et al., 2003). First, we provided clear information about the purpose of the study, ensured respondent anonymity, and encouraged entrepreneurs to participate. Second, we used multi-item measures in scale formats based on established scales that were carefully adapted to our context (Chang et al., 2010). Third, we structured construct items under general topic sections in the questionnaire to preclude respondents from identifying items measuring specific constructs or speculating about links between variables.

Regarding statistical remedies, we employed a marker variable test to empirically assess CMB (Lindell & Whitney, 2001). We used an item "Products from Canada are more suitable for men than women" as it was conceptually unrelated to both our dependent variables and our predictor variables (see also Rindfleisch et al., 2009). This resulted in having either very low or mostly insignificant correlations with the main constructs. After partialling out the marker variable all the significant bivariate correlations among our key predictors and outcomes maintained their statistical significance. We also used the second smallest correlation among the study constructs ($r = 0.02$) as an estimate of the marker variable and calculated the CMB-adjusted correlations (Lindell & Whitney, 2001; Malhotra et al., 2006). The results indicated no change in the pattern of correlations and their statistical significance, suggesting no major threat from CMB.

We further controlled for selection bias in our analysis using Heckman's two-step estimation. This procedure has been effectively used in entrepreneurship (for example, Hunt & Kiefer, 2017) and CSR literature (for example, Attig et al., 2016) to check and correct for potential self-selection bias and endogeneity (Heckman, 1979). Using our full sample of 219 responses from UK entrepreneurs and IBM SPSS v. 28, the first stage involved applying a probit model to estimate the probability that CSR engagement will be low (0) or high (1), using a median split of the CSR engagement variable. A new variable (inverse Mills ratio λ) that serves as the self-selection correction parameter in the Heckman mode was calculated. This helps account for the effects of unmeasured phenomena that can explain the dependent variable (multiple dependent variables in our case) and predicts whether issues are included in the sample or not (Heckman, 1979). In the second stage, we estimated three separate weighted least squares regressions of the focal variables (business, social and environmental performance respectively), and included the full list of independent and control variables from the model as well as the inverse Mills ratio (λ), as the independent variables for each of the regressions. Thus, at this subsequent stage, we estimated three separate regression equations

using λ along with CSR engagement, entrepreneurial experience, firm size, firm age, external stakeholder influence and industry type with business performance, social performance, and environmental performance as the dependent variables. The inclusion of λ provided results consistent with those in our original model (that is, without λ), while λ itself was not a significant predictor of business performance ($p = .761$), social performance ($p = .669$) or environmental performance ($p = .792$), whereas CSR engagement is significant for business performance ($p = .008$), social performance ($p = .01$) and environmental performance ($p = .03$). These findings offer tentative support for the lack of endogeneity in the study due to self-selection bias. However, in line with previous work (Yeganegi et al., 2019), we recommend interpreting results prudently, acknowledging that endogeneity may still exist due to unaccounted reasons, thus we encourage continuing to test these in future research.

Measures

All the measures are taken from the extant literature, drawing from preexisting, multi-item scales to operationalize the constructs of theoretical interest in this study. Overall, the scales were used as originally designed for all the study constructs. Adaptations were only related to the context of applicability. We used 7-point scale items to capture the perceptual measures, deemed appropriate for measuring attitudes, beliefs, and opinions due to their capacity to increase item reliability (DeVellis, 2011). While we recognize that some of the original scales were measured on 5 points, we employed 7 scale points for consistency throughout the survey instrument and in line with the research outlining that reliability increases with an increasing number of options (Preston & Colman, 2000). We measured entrepreneurs' self-regarding and other-regarding values using the scale developed by Agle et al. (1999). To assess entrepreneurial competence, we used a multidimensional scale comprising analytical, pursuing, and networking competencies (Lans et al., 2011). To capture CSR engagement, we adopted the scale developed by Reimann et al. (2015). Perceived employee supportiveness was assessed by the measure from Tsui et al. (1997).

Business performance was captured as a multidimensional construct comprising financial and market performance dimensions, using well-established scales (Katsikeas et al., 2006; Morgan, 2012; Richard et al., 2009). We validated perceptual measures of financial performance with objective data obtained from the FAME (Financial Analysis Made Easy) database. Our perceptual measures of financial performance correlated significantly with objective measures, such as turnover and gross profit, ($r = 0.95$, $p < .001$ and $r = 0.77$, $p < .001$, respectively), thereby supporting the concurrent validity of our measure (De Cock et al., 2020) and confirming the overall accuracy of, and our confidence in, our primary data.

Finally, social performance was measured by a two-dimensional scale of community support and employee outcomes (Schreck, 2011; Stephan et al., 2016; Torugsa et al., 2012; Wijethilake, 2017), and environmental performance was captured using scales from Laosirihongthong et al. (2013). Table 1 outlines the measures of our study constructs.

Control variables

We controlled for entrepreneurial experience using the total number of years spent in entrepreneurship. In addition, we controlled for external stakeholder influence (scale adopted from Buysse & Verbeke, 2003) as this can affect engagement in CSR activities and performance outcomes. Following similar considerations, we

Table 1. Construct measurement.

	Standardized loadings[c]
Values[a] (Agle et al., 1999)	
Self-regarding values	
A comfortable life (a prosperous life)	0.852 (12.66)
Wealth (making money for myself and family)	0.815 (11.90)
Pleasure (an enjoyable life)	0.789 (11.38)
Other-regarding values	
Helpfulness (working for the welfare of others)	0.890 (13.86)
Compassion (feeling empathy for others)	0.850 (12.93)
Equality (brotherhood, equal opportunity for all)	0.803 (11.89)
Loving (being affectionate, tender)	0.826 (12.40)
Entrepreneurial competence (Lans et al., 2011)	
Analytical	0.967 (10.24)
I keep an eye on the main issues and can point out the heart of a problem	0.733[d]
I know how to describe the problems in my enterprise	0.826 (10.82)
I easily separate facts from opinions	0.827 (10.83)
I am very aware of my own weak and strong points	0.761 (9.91)
I can name my business goals straight away	0.886 (11.68)
I can easily look at things from various points of view	0.843 (11.06)
I have a clear idea of where my enterprise will be in five years	0.711 (9.20)
Pursuing	0.946 (12.64)
I look for new information all the time	0.881[d]
I am continuously looking for new possibilities	0.808 (13.33)
I am often the first to try out new things	0.730 (11.28)
I accept challenges more often than colleagues in my sector	0.761 (12.04)
Networking	0.933 (10.51)
During my presentations I can put my ideas across easily to my audience	0.773[d]
I try to incorporate feedback from the public in my products	0.790 (10.79)
Cooperation with entrepreneurs in my sector is important for me	0.777 (10.58)
I am open to criticism from others (colleagues, employees, etc.)	0.873 (12.17)
CSR engagement (Reimann et al., 2015)	
Our enterprise has defined measurable targets regarding socially responsible activities	0.861 (13.35)
Our enterprise puts socially responsible activities in the center of its operations	0.917 (14.73)
Our enterprise makes socially responsible activities an integral part of our business strategy	0.937 (15.24)
Our enterprise places a lot of attention on socially responsible activities	0.902 (14.32)
Perceived employee supportiveness (Tsui et al., 1997)	
I can rely on my employees	0.767 (10.82)
My employees are genuinely interested in my concerns about the future of the company business	0.764 (10.75)
My employees have confidence in me	0.746 (10.41)
My employees are supportive toward me	0.799 (11.42)

(*Continued*)

Table 1. (Continued).

	Standardized loadings[c]
Business Performance[b]	
Market performance (Katsikeas et al., 2006; Morgan, 2012)	0.966 (9.20)
Market share growth	0.719[d]
Growth in sales revenue	0.767 (9.36)
Acquiring new customers	0.808 (9.84)
Increasing sales to existing customers	0.715 (8.73)
Financial performance (Morgan, 2012; Richard et al., 2009)	0.946 (9.80)
Return on investment	0.791[d]
Return on sales	0.727 (9.70)
Market diversification	0.762 (10.27)
Reaching financial goals	0.685 (9.05)
External stakeholder influence (Buysse & Verbeke, 2003)	
National and regional governments	0.894 (13.69)
Local public agencies	0.909 (14.03)
NGOs	0.637 (8.71)
The media	0.652 (8.98)
Social performance[b]	0.634 (5.67)
Community support (Schreck, 2011; Stephan et al., 2016; Torugsa et al., 2012; Wijethilake, 2017)	0.606[d]
Partnerships with civic organizations that support our community	0.655 (6.63)
Adequate contributions to charities	0.841 (7.64)
Partnerships with local businesses and schools	0.750 (7.25)
Support of local sports and cultural activities	0.791 (8.25)
Employees (Schreck, 2011; Stephan et al., 2016; Torugsa et al., 2012; Wijethilake, 2017)	
Employee training	0.699[d]
Employee professional development	0.727 (8.59)
Employee benefits and performance incentives	0.750 (8.84)
Employee access to healthcare	0.661 (7.85)
Employee work–life balance	0.728 (8.60)
Transparency of compensation schemes	0.694 (8.22)
Quality of relationships with unions	0.695 (8.24)
Environmental performance[b] (Laosirihongthong et al., 2013)	
Reduction in air emissions	0.664 (9.12)
Reduction in materials usage	0.789 (11.48)
Reduction in energy consumption	0.830 (12.34)
Reduction in consumption of hazardous materials	0.766 (11.00)
Improvements in compliance with environmental standards	0.729 (10.30)
Improvements in environmental impact	0.734 (10.39)

[a]Values items were anchored by "extremely unimportant" and "extremely important."
[b]Performance items were anchored by "extremely low" and "extremely high."
[c]*t*-values are reported in parentheses.
[d]item fixed to set the scale.
Note. All items were measured on a 7-point scale. Unless noted, items were anchored by "strongly disagree" and "strongly agree."

included industry type as a control variable in this study, differentiating between manufacturing and services firms. Finally, we also controlled for firm size as the number of employees in the entrepreneurial firm and for firm age as the number of years the entrepreneurial firm had been operating.

Analysis and results

Measure validation

We employed confirmatory factor analysis using EQS software to assess the validity of the construct measures. We estimated two measurement models

(Anderson & Gerbing, 1988). One model contained all first-order constructs: values, CSR engagement, environmental performance, employee supportiveness, and a control variable of external stakeholder influence. Another model tested the multidimensional nature of entrepreneurial competence, business performance and social performance treated as second-order constructs (see Table 1 for all item loadings). We used the elliptical reweighted least squares estimation procedure because of its ability to produce unbiased parameter estimates for multivariate nonnormal as well as normal data (Sharma et al., 1989). We restricted each item to load on its a priori specified factor, allowing all underlying factors to correlate with one another (Gerbing & Anderson, 1988). The measurement model estimation results for both first-order (χ^2 = 426.89, df = 260, p = .001; NFI = .94, NNFI = .97, CFI = .98; RMSEA = 0.05, AOSR = 0.04) and second-order (χ^2 = 1020.65, df = 517, p = .001; NFI = .93, NNFI = .96, CFI = .97; RMSEA = 0.07, AOSR = 0.05) models suggest a good fit (Bagozzi & Yi, 2012).

Convergent and discriminant validity

The statistical procedures recommended by Diamantopoulos et al. (2008) were followed to assess the internal and external validity of the study. All indicators significantly reflect the domain of the latent construct with high item loadings (>0.60), providing evidence of convergent validity (see Table 1). All measurement scales exhibited alpha and composite reliability scores exceeding the thresholds of 0.7 and 0.6, respectively. The average variance extracted (AVE) of all constructs is equal to or greater than 0.50, satisfying the recommended threshold (Bagozzi & Yi, 2012). Table 2 outlines AVEs, descriptive statistics, correlations, and reliabilities of all constructs. To assess discriminant validity, we compared AVEs with the squared correlation estimate among pairs of constructs (Fornell & Larcker, 1981), showing that AVEs exceeded the squared correlation estimate for all cases.

Test of hypotheses

Main effects

Structural equation modeling (SEM) in EQS software was used for data analysis purposes. A structural model was run (see Table 3) to assess the hypothesized associations of the conceptual framework and provided significant goodness-of-fit indices: (χ^2 = 1226.95, df = 531, χ^2 /df = 2.31; p < .001; NFI = .99, NNFI = .99, CFI = .99; RMSEA = 0.08).

Results indicate that self-regarding entrepreneurs are less likely to be engaged in CSR activities of their firm (b = − 0.16, p < .05), supporting H1. In support of H2, there is a strong positive association between other-regarding values of entrepreneurs and CSR engagement (b = 0.18, p < .05).

Table 2. Descriptive measures and correlations.

		α	Mean	*SD*	AVE	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Self-regarding values	0.86	5.33	1.21	0.67	–														
2	Other-regarding values	0.91	5.29	1.17	0.71	0.729**	–													
3	Entrepr. competence	0.92	5.40	0.99	0.80	0.612**	0.568**	–												
4	CSR engagement	0.88	5.22	1.23	0.82	0.313**	0.471**	0.468**	–											
5	Perceived empl. support.	0.88	5.54	0.90	0.59	0.350**	0.443**	0.548**	0.381**	–										
6	Business performance	0.95	5.21	0.98	0.52	0.278**	0.368**	0.420**	0.459**	0.450**	–									
7	Social performance	0.72	5.47	0.84	0.50	0.179**	0.328**	0.346**	0.671**	0.351**	0.325**	–								
8	Env. performance	0.89	5.85	0.85	0.57	0.256**	0.420**	0.503**	0.521**	0.504**	0.545**	0.609**	–							
9	Entrepreneurial experience	–	14.19	13.01	–	0.073	−0.053	0.088	−0.163*	0.041	−0.158*	−0.134*	−0.019	–						
10	Firm size	0.90	65.73	66.68	–	0.006	0.002	0.027	0.171*	0.015	0.064	0.136*	0.103	0.061	–					
11	Firm age	–	12.24	9.87	–	0.109	0.003	0.142*	−0.044	0.013	−0.137*	−0.034	−0.024	0.569**	0.048	–				
12	Ext. stakeholder influence	0.86	4.58	1.30	0.61	0.200**	0.298**	0.261**	0.589**	0.213**	0.461**	0.455**	0.412**	−0.209**	0.214**	−0.186**	–			
13	Manufacturing industry	–	–	–	–	0.105	0.109	0.062	0.128	−0.049	0.119	0.145*	0.104	−0.079	0.147*	−0.069	0.159*	–		
14	Services industry	–	–	–	–	−0.105	−0.109	−0.062	−0.128	0.049	−0.119	−0.145*	−0.104	0.079	−0.147*	0.069	−0.158*	−1.00**	–	
15	Marker variable	–	–	–	–	−0.088	−0.060	−0.050	0.174*	−0.067	0.085	0.303**	0.063	−0.166*	0.154*	−0.132	0.234**	0.288**	−0.288**	–

Note. ***$p < .001$; **$p < .01$; *$p < .05$.

Similarly, entrepreneurial competence has strong positive association with CSR engagement ($b = 0.28$, $p < .05$), lending support for H3. In turn, as expected CSR engagement is positively related to business performance ($b = 0.47$, $p < .05$), social performance ($b = 0.54$, $p < .05$), and environmental performance ($b = 0.57$, $p < .05$), supporting H4, H5, and H6, respectively.

Interaction effects

We calculated interaction terms following Ping's (1995) approach. The results indicate that the interaction effect of perceived employee supportiveness and self-regarding values on CSR engagement is negative ($b = -0.36$, $p < .05$), supporting H7a. Interestingly, split-group analysis (see Figure 3) demonstrates that for low levels of perceived employee

Table 3. Structural model results.

	Standardized Coefficients (β)	*t*-values
Direct effects		
H1: Self-regarding Values → CSR Engagement	**– 0.16****	**– 3.14**
H2: Other-regarding Values → CSR Engagement	**0.18****	**3.91**
H3: Entrepreneurial Competence → CSR Engagement	**0.28****	**4.10**
H4: CSR Engagement → Business Performance	**0.47****	**4.75**
H5: CSR Engagement → Social Performance	**0.54****	**6.42**
H6: CSR Engagement → Environmental Performance	**0.57****	**6.71**
Perceived Empl. Supportiveness → CSR Engagement	0.12	1.76
Moderating effects		
H7a: Perceived Empl. Supportiveness × Self-regarding Values → CSR Engagement	**– 0.36****	**– 2.32**
H7b: Perceived Empl. Supportiveness × Other-regarding Values → CSR Engagement	**0.29****	**2.41**
H7c: Perceived Empl. Supportiveness × Entrepreneurial Competence → CSR Engagement	0.11	1.73
Control paths		
Entrepreneurial Experience → CSR Engagement	**– 0.29****	**– 2.30**
Entrepreneurial Experience → Business Performance	**0.22****	**2.08**
Entrepreneurial Experience → Social Performance	**0.32****	**2.18**
Entrepreneurial Experience → Environmental Performance	– 0.06	0.36
Firm Size → CSR Engagement	0.10	1.40
Firm Size → Business Performance	– 0.10	– 1.32
Firm Size → Social Performance	– 0.02	0.30
Firm Size → Environmental Performance	– 0.05	– 0.01
Firm Age → CSR Engagement	**0.23****	**2.22**
Firm Age → Business Performance	**- 0.22****	**- 2.09**
Firm Age → Social Performance	**– 0.21****	**– 2.12**
Firm Age → Environmental Performance	0.11	1.28
External Stakeholder Influence → CSR Engagement	**0.39****	**7.32**
External Stakeholder Influence → Business Performance	0.01	0.08
External Stakeholder Influence → Social Performance	**0.23****	**3.30**
External Stakeholder Influence → Environmental Performance	– 0.01	– 0.02
Industry Type → CSR Engagement	– 0.09	– 0.50
Industry Type → Business Performance	– 0.07	– 0.44
Industry Type → Social Performance	0.03	0.09
Industry Type → Environmental Performance	– 0.01	– 0.01

Fit indices: $\chi^2 = 1226.95$, $df = 531$, $\chi^2/df = 2.31$; $p < .001$; NFI = .99, NNFI = .99, CFI = .99; RMSEA = 0.08.
$R^2_1 = .66$; $R^2_2 = .46$; $R^2_3 = .73$, $R^2_4 = .68$.
**$p < .05$; *$p < .1$.

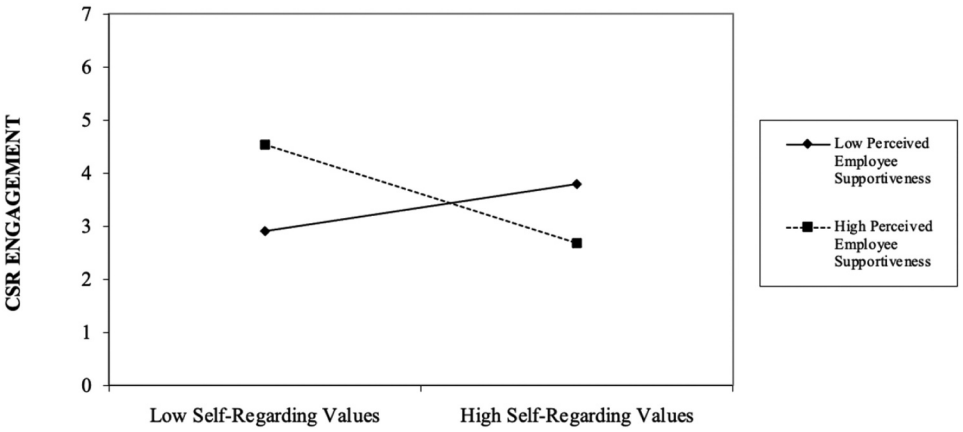

Figure 3. Interaction effects for H7a.

supportiveness, self-regarding values are positively related to CSR engagement, whereas for high perceived employee supportiveness self-regarding values are negatively related to CSR engagement.

In support of H7b, we find a positive interaction effect ($b = 0.29$, $p < .05$), indicating that a higher level of perceived employee supportiveness increases the effect of other-regarding values on CSR engagement, while with lower levels there is no significant effect (see Figure 4).

Finally, contrary to our expectations, the conditioning effect of perceived employee supportiveness on the relationship between entrepreneurial competence and CSR engagement is not significant ($b = 0.11$, $p > .05$), rejecting H7c. In other words, neither high nor low levels of perceived employee supportiveness seem to affect the relationship between entrepreneurial competence and CSR engagement.

Post–hoc analyses[2]

To assess whether our results are industry-dependent, first we sought to investigate the levels of CSR engagement and multiple performance outcomes across industries. We ran a MANOVA test with industry type as an explanatory variable and CSR engagement, as well as business, social and environmental performance dimensions as response variables. In the first iteration with 21 SIC codes for industry types we did not observe any significant differences, likely due to insufficient entries in each of the categories. Next, we have consolidated industry types into a shorter format, which has returned some very marginally significant differences, potentially owing to the sample size limitations. Ultimately, we grouped our categories into manufacturing and services operating companies and compared the means between industry groups, which has resulted in noteworthy findings.

[2]We thank anonymous reviewers for suggesting providing more information regarding this matter and conducting post hoc analyses.

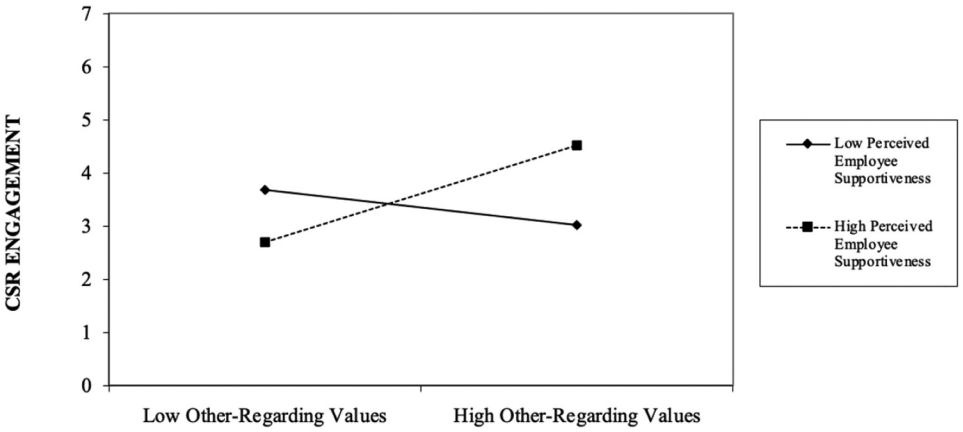

Figure 4. Interaction effects for H7b.

A Mann–Whitney U test identified a statistically significant difference between manufacturing and services companies (Ibrahim & Angelidis, 1995) for CSR engagement ($Z = -1.90$, $p < .10$).[3] The means for CSR engagement were 5.48 for manufacturing companies versus 5.13 for services. Results also revealed significant differences between manufacturing and services companies for social performance ($t_{(217)} = 2.15$, $p < .05$). The assumption of homogeneity of variances was not violated ($F = 0.66$, $p > .05$ respectively), the scores for each industry type were normally distributed as assessed by Kolmogorov–Smirnov test ($p > .05$) and the means for social performance were 5.49 and 5.16 for manufacturing and services companies respectively. These results imply that manufacturing companies, with often higher carbon footprint and broader societal impact compared to services companies, might be more engaged in CSR practices and as a result achieve higher social performance.

Second, we continued with multilevel modeling to probe whether founder and firm-level effects across industries had any impact on our results. Using a series of MANOVA tests, we examined the role of entrepreneurial experience, gender, education, external stakeholder influence, firm size and age for CSR engagement and all performance variables. The results demonstrated external stakeholder pressure perceived as significantly higher for manufacturing companies ($t_{(217)} = 2.37$, $p < .05$) with equal variances assumed ($F = 0.53$, $p > .05$) and normality assumption (Kolmogorov–Smirnov test $D_{(59)} = 0.11$, $p > .05$) not violated, likely owing to higher regulatory pressures pertaining to the manufacturing industry (Rui & Lu, 2021). Other results showed no significant differences between manufacturing and services companies. One interpretation of this is that industries in our sample represent a very homogeneous group with similar practices (Chai & Baudelaire, 2015), particularly all falling under SME classification.

[3]A nonparametric test was used because the assumption of normality of the population distribution may not be valid.

Finally, we intended to examine whether there are any statistical differences in the relationships between CSR engagement and multiple performance outcomes depending on the industry type. We have therefore conducted a subsample analysis by running two hierarchical regression models within manufacturing and services samples separately in order to compare the results. The results of subsample analysis provided evidence that for both manufacturing and services companies all the hypothesized relationships are significant in a similar manner ($p < .05$), with the only difference being that the relationship between CSR engagement and business performance for manufacturing companies ($b = 0.56$, $p < .05$) is stronger than for services companies ($b = 0.31$, $p < .05$). As evidenced earlier, the level of CSR engagement is perceived as being significantly higher for manufacturing companies and they could be equally perceiving higher business returns of such engagement.

Discussion and conclusions

Implications for theory

The results of our study have several important theoretical implications. While past research has primarily focused on the importance of external level factors for CSR (Aguinis & Glavas, 2012), underpinned by two dominant macro-level theoretical frameworks (Bikefe et al., 2020), we contribute to the relatively limited body of knowledge on micro-level CSR (Akhtar et al., 2018; Glavas, 2016; Gond et al., 2017) by considering how individual-level factors pertaining to SME entrepreneurs affect CSR-engagement. Specifically, by adopting the MOA perspective, we add to the literature on the differential effects of personal values in CSR (Hemingway, 2005; Williams & Schaefer, 2013). In doing so, we examine the role of motivation captured by the degree of self-regarding and other-regarding values of entrepreneurs on perceived CSR engagement within their SMEs. The results indicate a negative effect for self-regarding values and a positive effect for other-regarding values. We show that entrepreneurs who prioritize self-enhancement goals are less likely to engage in CSR, as their concern for the welfare of others is likely to fall into conflict with more immediate, self-oriented or profit-driven aspirations. This suggests that self-regarding values can obstruct perceived CSR engagement of these entrepreneurs (Fritzsche & Oz, 2007; Luque et al., 2019). In contrast, entrepreneurs driven by other-regarding values are likely to be interested in committing to the welfare of peers and society by promoting long-term value through their CSR engagement.

Moreover, while previous research has primarily explained CSR engagement as motivation-driven (for example, Choongo et al., 2018; Gorgievski et al., 2011), our study extends the scope of such explanation by widening our focus to include perceived entrepreneurial ability (Baron & Tang, 2009). We

reveal that entrepreneurial competence serves as a powerful antecedent of CSR engagement (Lans et al., 2011; Smith et al., 2012). In other words, skilled entrepreneurs, equipped with analytical, pursuing and networking competencies, are better able to recognize that CSR engagement is likely to bring extensive benefits for their SMEs.

In demonstrating this outcome, we broaden the range of CSR antecedents (Gond et al., 2017) and provide a more comprehensive framework that tests several CSR-enabling mechanisms simultaneously (Aguinis & Glavas, 2012; Glavas, 2016).

Furthermore, the absence of empirical investigations into the role of contingencies that can help unpack the more complex nature of CSR in SMEs has been observed in previous review papers (Bikefe et al., 2020; Vázquez-Carrasco & López-Pérez, 2013). Our study is not limited to an overview of the direct effects between CSR engagement and its antecedents. Thus, we extend the existing knowledge by also exploring how perceived boundary conditions strengthen or weaken the magnitude of these relationships (Galbreath, 2010). By examining the moderating effect of opportunities provided by perceived employee supportiveness, we contribute to current CSR research with additional insights into how entrepreneurs perceive CSR engagement being shaped in SMEs. Our results imply that perceived CSR engagement is contingent on entrepreneurs' perception of their employee support, in such a way that the relationship between their personal values and CSR engagement becomes stronger, regardless of their values. Namely, entrepreneurs in our research, guided by self-regarding values (Schwartz & Bardi, 2001) are even less likely to engage in CSR when they feel supported by their employees. This concerning result can be explained by the notion of blind support or blind trust in one's superior or leader (Chen et al., 2002). When entrepreneurs do not feel challenged by employees with their opinions, the need for entrepreneurs to question or reconsider the default ways of doing business can diminish (Sheedy et al., 2021). In turn, those entrepreneurs with other-regarding values (Schwartz et al., 2000) and under the conditions of perceived employee supportiveness are likely to engage in their firm's CSR further. Thus, our results add to the stream of studies that emphasize how a perceived supportive environment shapes the actions of entrepreneurs, boosting the motivation to engage in CSR for those driven by other-regarding values (for example, Gupta & Sharma, 2019; Wei & Morgan, 2004).

When it comes to perceived entrepreneurial competence, we demonstrate that entrepreneurs are able to apply their analytical, pursuing, and networking competencies in decision-making related to CSR engagement (Guffey & Nienhaus, 2002; Smith et al., 2012) without any contingent effects of perceived employee supportiveness. While the outcome is contrary to our theoretical associations and empirical expectations (Allen et al., 2003), we explain this result building on two perspectives. First, the ability of entrepreneurs could

simply be a strong enough predictor of their CSR engagement. Thereby, competent entrepreneurs, regardless of what they perceive their employee supportiveness to be, are likely to understand the importance and extensively beneficial outcomes of engaging in CSR, be it for their SME or wider society (Ploum et al., 2018). In a similar vein, Bos-Nehles et al. (2013) argue for a more determining role of ability, serving as a prerequisite of performance, with opportunity only working in presence of sufficient ability. Second, entrepreneurs with high levels of perceived analytical, pursuing and networking competences are not only likely to take informed, knowledge-based decisions on CSR engagement, but also to create various opportunities themselves (Baron, 2006; Lans et al., 2011). Meanwhile, some entrepreneurs might not always look for employee support, expecting their employees to eventually follow their direction, owing to their perceived competence. This is somewhat supported in our data with a strong direct link of entrepreneurial competence and a nonsignificant relationship of perceived employee supportiveness with CSR engagement. Thus, our study provides a context where perceived supportiveness from employees does not seem to affect entrepreneurial capabilities in applying knowledge to CSR engagement practices.

Finally, we contribute to the SMEs and CSR research field (Dey et al., 2020; Husted & Allen, 2007) by offering a more thorough conceptualization of performance results including business-related benefits for SMEs as well as value-creating ones for society and the environment (Galpin & Whittington, 2017; Porter & Kramer, 2006). We uncover positive effects of perceived CSR engagement on the business, social and environmental performance. CSR engagement can improve SMEs market and financial outcomes (Dobers & Halme, 2009; Flammer, 2015) through acquiring and retaining consumers, increasing sales, profits and market share. Similar effects are observed on the social and environmental outcomes (Dey et al., 2020; Rivera et al., 2017) through increased community support and pro-environmental strategic choices. Our findings provide support to the argument of Husted and Allen (2007) on how, in isolation, the over-reliance on financial performance indicators does not address the full realm of CSR consequences. By looking beyond firm-level benefits, we provide evidence of positive long-term effects of CSR for SMEs (Jenkins, 2009; Le et al., 2021) as well as of the unique opportunity for these firms to balance growth with equity. Thus, by considering scholars' recommendations for research on wider CSR performance outcomes (Bikefe et al., 2020; Le et al., 2021), we provide insights into and confirm the significant role of perceived long-term value creation effects of CSR for SMEs (Jenkins, 2009).

The effects of our control variables are also noteworthy. Results show that entrepreneurial experience is positively related to business and social performance. This is unsurprising as it is expected that more experienced entrepreneurs are better able to manage their businesses (Unger et al., 2011), identify

opportunities and make informed decisions (Ucbasaran et al., 2009). However, we also find that the more experienced entrepreneurs are in their role, the less likely they are going to consider engaging in CSR activities. On the one hand, research shows that less experienced, younger managers are generally more ethical in their worldview (Ede et al., 2000), which could explain why they are more likely to engage in CSR practices. On the other hand, as their experience grows, entrepreneurs are likely to struggle with prioritizing immediate versus long-term benefits of their strategic decisions.

We further controlled for the influence of external stakeholders. Our findings indicate that external stakeholder influence has a positive effect on CSR engagement and social performance, thus showing that recognizing the interests of stakeholder groups can result in beneficial social outcomes for the SME (Tang & Tang, 2018). However, we found no impact on environmental performance. Interestingly, the lack of an effect on environmental performance is not an isolated result, suggesting that stakeholder pressures at the time of the survey may have been insufficient to affect the perceived environmental performance outcomes of the SME (Chai & Baudelaire, 2015). In addition, services sectors are generally known to have less impact on the environment (Haleem et al., 2022) and the majority of companies in our sample operate in service industries.

Implications for practice

From a managerial perspective, having a deeper understanding of individual-level drivers of CSR engagement can be beneficial for SMEs and entrepreneurs. For other-regarding entrepreneurs, following their values can bring promising opportunities to implement more sustainable practices in their ventures. When entrepreneurs' values and their CSR concerns align, entrepreneurs can become sustainability champions by engaging in individual and collective actions that are aimed at creating a positive difference to society. Given the positive effect of other-regarding values for CSR engagement, nurturing, and deploying these values should be a priority on the agenda of SMEs. Our findings also have important implications for self-regarding entrepreneurs. As discussed earlier, values are not entirely fixed and can change over time, meaning that other-regarding values can be fostered through education programs and business ethics seminars that promote positive change, as well as networking and collaborating with entrepreneurs working toward a social purpose.

Considering the importance of entrepreneurial competence for CSR engagement, entrepreneurs are advised to invest enough resources, both monetary and nonmonetary ones such as time, for example, to improve their analytical, networking, and pursuing skills, as those together determine

their competence to see the potential in engaging in the CSR practices. Specifically, entrepreneurs are encouraged to continuously invest in their professional training, stay up-to-date with industry insights, attend relevant specialized events in their field, and not to neglect the importance of overall self-development and growth.

With regard to the conditioning effects of perceived employee supportiveness evidenced for personal values, we suggest that entrepreneurs guided by other-regarding values need to work on nurturing their relationships with employees even further as this is likely to facilitate more actions dedicated to the care of business, society, and environment. Whereas for entrepreneurs motivated by self-regarding values, we suggest actively listening to the views and opinions of their staff on important decisions concerning CSR.

Finally, by looking at the beneficial effects of CSR on performance, entrepreneurs should feel encouraged to engage in CSR practices. One way of doing this is by emphasizing the sustained competitive advantage that CSR creates. The positive effect of CSR on SME performance shows that CSR engagement is a viable strategy for the firm, that does not hinder the short- or long-term success of firms. CSR engagement can drive both business and broader outcomes. A way to promote the application of CSR across SMEs could be by framing CSR engagement as a win-win strategy: it provides positive social and environmental results while driving the performance of the venture.

Limitations and future research

The findings of our study should be interpreted within the context of several limitations, which offer the basis for important future research. From a research context perspective, our study drew insights from a relatively small sample and one geographic location (the UK). Empirically testing our predictions in other settings could contribute to the generalizability of results. For example, future research could examine the applicability of the model in the context of developing market SMEs, where CSR research is emergent.

Next, our study relies on self-reported data from SME founders and while this is line with previous research, it could still be susceptible to self-report bias. In addition, the paper did not offer the perspective of SME employees regarding the level of CSR within the venture or its relationship to performance outcomes. It would be empirically worthwhile to test this model from the standing of entrepreneurs and their employees simultaneously, as well as backed up with possible objective data. Moreover, the effect of perceived employee supportiveness on CSR engagement needs further consideration given that, in our study, it only benefits entrepreneurs with other-regarding values, and surprisingly deters entrepreneurs with self-regarding values from engaging in CSR.

Furthermore, as the focus of our study was on the micro-level drivers and conditions of CSR engagement, our model incorporated personal values, entrepreneurial competence, and perceived employee supportiveness to capture the three MOA dimensions. Future research could expand on the list of MOA-related variables, by identifying other micro-level constructs that can explain CSR engagement for these firms. For example, the degree of self-efficacy, dispositional affect, or entrepreneurial alertness could influence CSR-related entrepreneurial action. Overall, seeing that the literature on indirect explanations of CSR engagement in the context of SMEs is still in its early days, examining other contingencies in CSR-related decisions is likely to be a worthwhile endeavor.

Disclosure statement

No potential conflict of interest was reported by the authors.

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