Small business social responsibility:   
Expanding core CSR theory

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**Abstract**

This paper seeks to expand business and society research in a number of ways. Its primary purpose is to redraw two core CSR theories (stakeholder theory and Carroll’s CSR pyramid), enhancing their relevance for small business. This is done by the application of the ethic of care, informed by the value of feminist perspectives and the extant empirical research on small business social responsibility. It is proposed that the expanded versions of core theory have wider relevance, value and implications beyond the small firm context. The theorization of small business social responsibility enables engagement with the mainstream of CSR research as well as making a contribution to small business studies in scholarly, policy and practice terms.

**Key words**: corporate social responsibility, ethic of care, feminist ethics, small and medium sized enterprises (SMEs), small business, Carroll’s pyramid, stakeholder theory.

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**Introduction**

Small business social responsibility - whether it be a software engineer, automotive parts manufacturer, small accountants or delicatessen - offers an empirical context which is not a common starting point for business and society researchers. This is somewhat surprising given that small firms are an important part of the economic and social landscape, comprising over 95% of private business consistently around the globe (Wymenga, Spanikova, Barker, Konings & Canton, 2012). Their contribution translates to important job provision, for example in the US employing half of all private sector employees and generating 65% of net new jobs, and driving innovation with 13 times more patents per employee than large firms (SBA, 2012). While such statistics vary across regions and industries, and indeed definitions of firm size are also inconsistent[[1]](#footnote-1) the importance of small firms is highlighted across the globe. In Europe, for instance, small and medium sized enterprises (SMEs) provide two thirds of private sector jobs (Wymenga et al., 2012). In developing countries, it is likely that the importance of small business is still more critical, with the focus on entrepreneurship as a crucial contributor to development and poverty alleviation (Jamali, Zanhour & Keshinian, 2009; Singer, 2006). Since governments and intermediaries are seeking to influence small business success and practice in both economic and social terms (CEC, 2008; World Bank, 2012, p. 1), credible research which informs policy perspectives is crucial (Gibb, 2000).

Informed by extant empirical studies, core corporate social responsibility (CSR) theory is redrawn in this paper to help explain social responsibility in the smaller firm (see e.g. Baumann-Pauly, Wickert, Spence & Scherer, 2013; Lepoutre & Heene, 2006). A feminist perspective, in particular the ethic of care, is presented as a valuable lens through which the relevance of CSR theory can be enhanced beyond the Western multinational corporation (MNC). The core CSR theories addressed are R. Edward Freeman’s stakeholder theory and Archie Carroll’s CSR pyramid because of their high profile in the field. It is well known that stakeholder theory was first introduced in the 1980s (Freeman, 1984) and Carroll’s pyramid in the early 1990s (Carroll, 1991). As I go on to discuss, they have both been subject to continued debate over many years, and have offered some early insights to CSR in small business which will be extended here (see for example Visser, 2005; Burton & Goldsby, 2009 on Carroll; Tang & Tang, 2012; Jenkins, 2006; Fisher, Geenen, Jurcevic, McClinock & Davis, 2009 on stakeholder theory).

The paper seeks to contribute to research by expanding core theory to the small firm context, theorizing small business social responsibility and demonstrating the value of feminist perspectives. In addition there are policy and practice implications for those seeking to promote social responsibility in the wider business community which are noted in the concluding section.

**A Feminist Perspective on CSR Theory and Small Business**

The family of business and society theories has been, and continues to be, analyzed and critiqued from the perspective of politics, social contribution, economics and ethics (Banerjee, 2007; van Oosterhout & Heugens, 2008; Scherer & Palazzo, 2011; Windsor, 2006). The same could be argued of small business and entrepreneurship (Dunham, 2010; Gartner, 2007; Gibb, 2000; Grant & Perren, 2002; Shane & Venkataraman, 2000). One, but not the only, critical theory employed in both fields is a feminist perspective, and this is the orientation adopted here for normative, instrumental and empirical reasons. First, in small business and entrepreneurship research feminist perspectives have been particularly pronounced, driven in part by research on female entrepreneurship (Calás, Smircich & Bourne, 2009; Mirchandani, 2002). Second, a link has already been drawn between entrepreneurship and social change through feminist perspectives (Calás et al, 2009). Third, it has been argued in the business and society literature that a greater engagement with feminist perspectives could be illuminating (Borgerson, 2007; Derry, 1999; 2007; Freeman & Liedtka 1991; Grosser & Moon, 2005; Hamington & Sander-Staudt, 2011; Liedtka, 1996; Simola, 2003; White 1992), including specifically in terms of small business (von Weltzien Høivk & Melé, 2009). Fourth, a reinterpretation of stakeholder theory from a feminist perspective has been argued for previously (Engster, 2011; Spiller, Erakovic, Henare & Pio, 2011; Grosser, 2009; Wicks, Gilbert & Freeman, 1994). Fifth, observed empirical findings on CSR in small business, the dominant research approach in this sub-field, show meaningful correspondence with feminist ethics, as is shown in Table One. Since the small business literature is unfamiliar for many in the business and society field, a summary table of the sub-field is presented in Appendix One.

Feminist ethics[[2]](#footnote-2) is concerned with contextualized reflections on responsibility, relationships and experience and tends to value connections over autonomy (Borgerson, 2007). It is sometimes positioned in contrast to the more familiar principle and justice based ethical perspectives (Nunner-Winkler, 1993; Simola, 2003), although others argue that feminist ethics focuses on the social and political systems that perpetuate the oppression and subordination of women and thus incorporate justice perspectives (Grosser, 2009, p.296). It should be noted that feminist ethics and the ethic of care (or feminine ethics) are not interchangeable, and indeed there are a range of approaches to both, just as there are with other ethical theories. Freeman & Liedtka (1991, p.96), in their critique of CSR, argue strongly for the proposition that: “Corporations are places in which both individual human beings and human communities engage in caring activities that are aimed at mutual support and unparalleled human achievement....This proposition pushes us beyond the language of rights and responsibilities to a focus on the ethic of care, which recognizes needs and affirms the self and its linkage with others.” In the current paper, this recommendation is followed systematically, and the ethic of care, as the dominant approach within feminist ethics is adopted (Liedtka, 1996).

Virginia Held, one of the leading philosophers working on the ethic of care, notes that it emerges in contrast to justice-based theories when women’s experiences of morality are included as well as men’s (Held, 2006, p.26). This draws from Carol Gilligan’s research in the 1970s/80s in which she perceived ‘a different voice’ in moral development when girls were included in research studies (Gilligan, 1982). Held has helpfully identified key features of the ethic of care, and these have been summarized in Table One. In addition, the right hand column shows a mapping of these features to empirical CSR perspectives of small business, as informed by the literature overview in Appendix One. It is not suggested that there is an exact match, but that it can reasonably be observed that the features of an ethic of care are broadly recognizable in the empirical descriptions of CSR in small business. Thus it is proposed that the ethic of care is a suitable lens through which to extend CSR theory in a way which is relevant to small firms.

**Table One: Summary of key features of an ethic of care and reflection of small business social responsibility**

|  |  |
| --- | --- |
| **Feature & Reasoning** | **Correspondence of small business social responsibility** |
| **Meeting the needs of others for whom we take responsibility**.  Caring for a child at the fore-front of moral concerns. Recognition that human beings are dependent on others, especially as children, and for the vulnerable and elderly. The claims of particular others can be compelling regardless of universal principles. | Caring for family members (literally as a family firm) and dependents of the business (e.g. employees). |
| **Valuing emotions**  Sympathy, empathy, sensitivity, and responsiveness are seen as the kinds of moral emotions that are valuable for implementing reason and to ascertain what morality recommends. | Informal, personalized communication mechanisms. |
| **Accepts partiality**  The compelling moral claim of the particular other may be valid even when it conflicts with the requirement usually made by moral theories that moral judgments be universalizable | Partisan perspective in relation to those close to the business. Leadership of the owner-manager/founder. |
| **The private sphere as a territory for morality**  Focus of dominant theories has been on public life while overlooking the private domains of family and friendship, where women are often economically dependent and subject to a highly inequitable division of labor | Informal, relationships and flat hierarchy. Inclusion of family in business life, conflation of public and private reputation. |
| **People are relational and inter-dependent**  People start out as morally and epistemologically relational and interdependent. This contrasts to traditional conceptualizations of fully autonomous and rational individual agents. | Relationship based, dependence on personal integrity, reputation and trust with business partners. |

Source: Developed from Held (2006). See Appendix One for a summary of the background literature on small business social responsibility.

In the remainder of this paper, an ethic of care approach is applied to Carroll’s CSR pyramid and stakeholder theory as previously explained. The two parts will be treated separately to a degree, though there are cross-overs, and the analysis is drawn together at the end of the paper in discussion and conclusion. The starting point is stakeholder theory, since it has previously been assessed from a feminist perspective in the extant literature.

**Stakeholder theory from the perspective of an ethic of care**

Stakeholder theory is arguably the business and society framework which has had most impact both within the scholarly CSR literature and in practice. Phillips (2003, p. 6) suggests that the power of the theory may be due to its conceptual breadth[[3]](#footnote-3). The power of the core idea, that corporations have a responsibility to all those who affect or are affected by their actions – i.e. including and in addition to a fiduciary duty to their shareholders – has retained remarkable traction. The initial model is reproduced here, for the record, and in particular to highlight the standard version of which stakeholders to include (Figure One). While some have sought to propose a generic list of stakeholders, it is clearly not the intention of stakeholder theory to predetermine stakeholder groups. Nevertheless, stakeholder theory is embodied by the notion that “(a)t a minimum, understanding business means thinking about customers, employees, suppliers, communities, and financiers. Other groups are at least important, as Phillips (2003) has argued, in so far as they affect these definitional stakeholders” (Agle et al.*,* 2008, p. 164). Stakeholder theory is intended to be applicable to any organization, since in each application the stakeholders should be calculated anew.

**Figure One: The standard stakeholder model**

Source: Freeman (1984)

The emphasis in small businesses on relationships and networks makes stakeholder theory intuitively appealing for this empirical group (Jenkins, 2006). Indeed, Tang & Tang (2012) have used stakeholder theory in relation to small business in China, and Fisher et al. (2009) have developed a version of the stakeholder perspective focused on communities. It is suggested, however, that the generic version of stakeholder theory shown in Figure 1 is not immediately transferable to small businesses for a range of reasons which will be developed in this section. Most useful, as a starting point, is a previously published feminist perspective of stakeholder theory by Wicks et al. (1994).

With a particular focus on the descriptive language used, Wicks et al. (1994, p. 483) argued that it is helpful to reinterpret the stakeholder concept from the point of view of feminist ethical theory, seeking to challenge five key masculinist assumptions as shown in Table Two. Underlying the feminist interpretation of stakeholder theory is the assessment that people are inextricably embedded in context. It could be argued that the Wicks et al., approach – even when seeking to be feminist- retains a masculinist lens, by focusing on the particular organizational type of the corporation, and defining the categories used in terms of the masculinist view first, from which the feminist view is suggested to deviate. Hence the feminist perspective is allocated the status of the ‘other’. For example, no reference is made to the inclusion of the private sphere as a relevant landscape in the Wicks et al. analysis, but it is important from a feminist and an ethic of care perspective (Held, 2006). Thus in the critique presented here in Table Two a new category, Arena of Activity, has been added to the Wicks et al. study and suggestions made as to how these would be viewed from masculinist and feminist standpoints. Hence the work here extends the Wicks et al. feminist interpretation to the more explicit care perspective. The final column of Table Two shows the ethic of care interpretation of stakeholder theory for small business, which the remainder of the section goes on to discuss in more detail.

**Table Two: Masculinist/feminist/ethic of care interpretations of stakeholder theory**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | ***Masculinist interpretation*** | ***Feminist interpretation*** | **Ethic of care interpretation** | **Ethic of care stakeholder application to small business** |
| **ARENA** | Corporations in the public arena | Corporations should acknowledge public and private spheres | Organizations as arenas of the public and the private sphere | A different generalized set of stakeholders |
| **MEDIUM** | *The language of competition and conflict best describes the character of managing a firm* | *Communication and collective action should describe the character of managing a firm* | Informal personalized language reflecting partiality describes the character of managing the firm | The center-point as the owner-manager as legitimate lead decision-maker |
| **CONNECT-EDNESS** | *Corporations as autonomous entities are bounded off from their external environment* | *Corporations as webs of relations among stakeholders* | Organizations as embedded in their local environment | Defined by being a stakeholder to others (rather than at the central hub of a stakeholder network) |
| *Corporations control their external environment* | *Corporations should thrive on chaos and embrace environmental change* | Organizations defined by the actions of others |
| **DRIVERS** | *Objective thinking is needed to generate strategy* | *Strategy as solidarity with decisions based on responsibilities and relationships* | Strategy guided by sympathy, empathy, sensitivity and partiality meeting the needs of others for whom we take responsibility | The influence of proximity on stakeholder salience |
| **POWER** | *Public sphere of power: Corporations structure power and authority within strict hierarchies* | *Flattening of hierarchies: Structure power and authority through decentralization and empowerment* | Power encompassed in caring relationships in the public and private spheres of the organization |

Source: Sections in italics derived from Wicks et al. (1994).

**Organizations as arenas of the public and the private sphere.** The inclusion of the private sphere as a territory for morality is an important aspect of the ethic of care and one which has been largely absent from applications of stakeholder theory. In contrast there has long been acknowledgement of the role of the family and personal life in small business and entrepreneurship research (Kitching, 1994; Quinn, 1997; Uhlaner, van Goor-Balk & Masurel, 2004). Aldrich & Cliff (2003) have argued persuasively for the pervasive effects of family on entrepreneurship. Hence when considering ‘generic’ stakeholders for small business, there is likely to be much more emphasis on family and stakeholders led by personal relationships than is the case for large firms. It is proposed that core stakeholders of employees, family, small local competitors, suppliers, local community, and customers as shown in Figure Two would be appropriate for smaller firms.

In addition to the family as a stakeholder, owner-managers rely on their employees (who may also be family members) closely and may exhibit a caring relationship towards them (Uhlaner et al, 2004), and can be regarded to be the foremost stakeholder. Financiers could of course be relevant, whether they take the form of the local bank, investors, or family members, but the critical element of the owner-as-manager is that the senior manager is the key financier. There may of course be more than one owner and/or manager, and this can result in a differentiated central core to the diagram. Community is relevant to both large and small firm stakeholder models, though the fact that small firms may be integrated with residential areas emphasizes their role as neighbors. It should be noted that many firms operate increasingly on a virtual basis, and this has the potential to dilute the importance of the community stakeholder leading perhaps to the redefinition of community in terms of virtual rather t han physical groupings.

**Figure Two : Stakeholders for the small firm owner-manager**

**Informal personalized language reflecting partiality describes the character of managing the firm.** Despite their vulnerability to competitive environments research has found a sense of camaraderie between small firms which are competitors, with associated feelings of moral responsibility to competitors-as-stakeholders (Spence, Coles & Harris, 2001). This is directly in keeping with a feminist ethics perspective which emphasizes collaboration and ‘co-opetition’ (Brandenburger & Nalebuff, 1996) over conflicting competition (Wicks et al., 1994). Such collaborative approaches are based on the informal and personalized relationships running through the practices of small business. To the extent that they have their own stakeholder map, small firms are led, importantly, by the owner manager who by virtue of being both principal and agent, is the legitimate decision-maker (Quinn, 1997) and sits at the center-point of the stakeholder map as indicated in Figure Two (Fassin, 2008). The pivotal role of the owner-manager and the blueprint the founder leaves on the small firm (Fauchart & Gruber, 2011) is important since ownership and control are not normally separated in the small firm, unlike the usual case in MNCs (Quinn, 1997). It is for this reason that the owner-manager should be depicted as the default central character in a stakeholder graphic for a small firm.

**Organizations as embedded in their local environment and defined by the actions of others.** Wicks et al. (1994) highlight the autonomy element of the masculinist view of stakeholder theory. In contrast it is argued here that organizations such as small businesses are embedded in their local environment. There is some dispute over this in the entrepreneurship literature, with the entrepreneur positioned in some studies as the leader acting in isolation and creating a ‘fortress enterprise’ (Curran & Blackburn, 1994, p. 113), but this has been robustly countered (Drakopoulou Dodd & Anderson, 2007). The small business literature is, for example, replete with work which draws on social capital theory, emphasizing the interconnectedness of small firms, and their reliance on their social capital to achieve success (for an overview see De Carolis & Saparito, 2006). As noted above responsibility to the family (and as I will go on to show, the self) are of the highest order for the small firm owner-manager.

This embedded circumstance for the small business means that they indeed are not autonomous and are subject to the actions of others. While small firms are often congratulated for their flexibility (Gibb, 2000), they have little choice but to be responsive in order to survive (Piperopoulos, 2010). The relatively less powerful nature of the individual small firm means that there is little or no assumption that they can have individual impact or control. Instead, they tend to be depicted as the victim, particularly to bureaucratic red tape and burdensome regulation, market pressure of domineering large competitors and the whim and control of powerful large customer suppliers, being powerless in comparison (e.g. Johannson, 1997). In keeping with the ethic of care perspective which argues against abstraction of universal approaches (Held, 2006, p. 11), innovation and flexibility in response to a changing environment are commonly noted as differentiating strengths of the small firm, and means by which they can prosper in a challenging environment. Thus small firms can – and indeed must - internalize the changing needs of their stakeholders, blurring the internal and external boundaries of the firm.

An outcome of the ethic of care perspective on stakeholder theory is that the role and identity of the small enterprise, called here ‘Supplier A’, and defined by their relationship to other larger and more powerful stakeholders, such as ‘Large Firm X’ which is a customer of Supplier A, as shown in Figure Three (Boyd, Spekman, Kamauff & Werhane, 2007). Indeed, this is a fairly standard pattern, with the prosperity and stability of small organizations commonly being determined by their relationship with a key (sometimes the only) powerful customer (Cox, Sanderson & Watson, 2001). Other stakeholders could also be the group by which the small firm is defined. For a family firm, the spouse and family are most likely to be the defining group, not least because of the importance of the family legacy which is bound so closely to the performance of the firm (Mitchell, Agle, Chrisman & Spence, 2011; Uhlaner et al., 2004)*.* In some cases the supplier could be the defining stakeholder. This may be true in the case of retail franchises like the Body Shop, for example, where the individual retail outlet is defined by its role as a franchisee of the Body Shop products and brand. Finally, in small firms which are embedded into their local community such as a micro-brewery where all other stakeholders are also drawn from that same local community, then ‘the community’ may be at the center of the stakeholder map of which the small firm is a satellite. The crucial implication here is that the small firm (Supplier A in Figure Three) is subject by proxy to externalities affecting the key stakeholder (for example a customer to Supplier A, Large Firm X in Figure Three) rather than principal of its own destiny as is implied by the central position of the firm in stakeholder theory. The small business is thus not at the center of its own stakeholder map.

**Figure Three: The small business: defined by being a stakeholder of others**

**Strategy guided by sympathy, empathy, sensitivity and partiality meeting the needs of others for whom we take responsibility. Power encompassed in caring relationships in the public and private spheres of the organization.** An important counterpoint to the masculinist approach is the unlikelihood of the generation of any explicit strategy, let alone a so-called objective one. Small firms are routinely criticized for failing to be objective and strategic in their thinking and planning, and failure to use strategic management tools (Stonehouse & Pemberton, 2002). Yet their advantage has been argued to also lie in the emotional intelligence and tacit knowledge embedded in the organization (Piperopoulos, 2010). The ethics of care embraces the inclusion of ‘non-rational’ emotional perspectives in decision-making though noting that not all emotion is valued. It promotes the embracing of emotions such as sympathy, empathy, sensitivity and responsiveness as enhancing moral reflection (Held, 2006, p.10).

While small firms are necessarily led by one or two key individuals, their very size generally means that there is little opportunity for strict demarcation of roles, and each person has to do whatever is necessary on an *ad hoc* basis. This is nicely illustrated by a British small business owner pointing out the multitude of tasks he gets involved in beyond leadership and management: ‘There is a balance of time on idea creation and then just being a straightforward managing director, to changing light bulbs. None of us small businesses have janitors. Or if a lady client is coming, checking that there is loo paper in the ladies loo. Literally it is as basic as that” (SBRC, 1997, p.8). Here we see the importance of relational, rather than hierarchical issues in the small firm – looking after the lady client trumps any hierarchical advantages that might be presumed to be part of the owner-manager’s role. As Gilligan (1982, p. 63) argues, “we know ourselves as separate only insofar as we live in connection with others, and that we experience relationship only insofar as we differentiate other from self”. Here we are drawn to an understanding of the role of the self for the small firm owner-manager and founder at the center of his or her firm, and the common identification of the self with the organization and vice-versa (Fauchart & Gruber, 2011).

McVeal & Freeman (2005) acknowledge the influence of perceiving of stakeholders as individuals with ‘names and faces’ rather than faceless groupings. These faces and names are individuals with whom there is some relationship and a degree of closeness. The importance of proximity to everyday operations has been alluded to above, and is threaded through much of the foregoing discussion (Jones, 1991). It is proposed that proximity is important to understanding the analysis of stakeholder salience for the small firm. Mitchell, Agle and Wood’s (1997) formulation of stakeholder salience as compromising power (coercive/utilitarian/normative), legitimacy and urgency (temporality and criticality) remains largely intact despite critique and analysis (e.g. de Bakker & den Hond, 2008). Proximity, which has been found to be important to CSR in small firms (Courrent & Gundolf, 2009; Lähdesmäki & Suutari, 2012; Spence, 2004) is not fully accounted for by extant stakeholder salience theory (Sen & Cowley, 2012). In particular, it is proposed that proximity is influential in terms of urgency. For the small firm case, a third aspect of urgency could be added to time sensitivity and criticality, that of proximity (the degree of social nearness to the stakeholder). The difficulty of separating from local mores, norms and values, not least since all key stakeholders are likely to be from that local region, is pertinent.

In summary, there are four key elements from an ethic of care perspective which can enhance the use of stakeholder theory for understanding socially responsible small business. The points to note are that:

* The *inside* of the black box of the firm is best represented by the owner-manager(s) of the business.
* The small business is more likely to be defined by their role as a stakeholder of other organizations than as a central organization in its own right.
* The key stakeholders for small businesses are likely to be employees, small local competitors, suppliers, local community, family and customers.
* Stakeholder salience is influenced by proximity, which adds a new dimension to the ‘urgency’ perspective.

Building on this assessment, the article goes on to show how the second core CSR theory, Carroll’s pyramid of CSR, can be enhanced in a similar way.

**Carroll’s pyramid of CSR from the perspective of an ethic of care**

The pyramid of CSR has enjoyed enduring popularity (Burton & Goldsby, 2009) and remains “a leading paradigm of CSR” (Schwartz & Carroll, 2003, p. 504). As Windsor (2006, p. 98) describes it, more recent formulations of the original concept have not surpassed the “still canonical set of defined cumulative responsibilities, not tradeoffs, depicted classically as a subdivided ‘pyramid’ cross-walked to stakeholder categories. The pyramid is a vertical triangle with four internal subdivisions for economic, legal, ethical, and philanthropic responsibilities in that order from foundation to apex” (shown in Figure Four). It seems appropriate to expand on the description with Carroll’s own words:

“It portrays the four components of CSR, beginning with the basic building block notion that economic performance undergirds all else. At the same time, business is expected to obey the law because the law is society's codification of acceptable and unacceptable behavior. Next is business's responsibility to be ethical. At its most fundamental level, this is the obligation to do what is right, just, and fair, and to avoid or minimize harm to stakeholders (employees, consumers, the environment, and others). Finally, business is expected to be a good corporate citizen. This is captured in the philanthropic responsibility, wherein business is expected to contribute financial and human resources to the community and to improve the quality of life”. (Carroll, 1991, p. 42)

**Figure Four: Carroll’s (1991) Pyramid of Corporate Social Responsibility**

Economic

Legal

Ethical

Phil-

anthropic

*Be a good corporate citizen.* Contribute resources to the community; improved quality of life

*Be ethical*. Obligation to do what is right, just and fair. Avoid harm.

*Obey the law.* Law is society’s codification of right and wrong. Play by the rules of the game.

*Be profitable.* The foundation on which all others rest.

In later formulations Carroll suggests different shapes for the pyramid and argues that it does not depict a sequential approach, rather that firms should strive to meet all of these perspectives simultaneously (Carroll, 1999, p. 289). Nevertheless, some purpose seems to sit behind the pyramid shape and indeed the ordering of the four components.

Here the ideas behind the Pyramid are reconsidered to expand the concept’s relevance for small firms. In doing so, the concepts applicability is enhanced beyond large US firms in a developed economy (see Burton & Goldsby, 2009; Visser, 2005). Referring back to the foregoing discussion of stakeholder theory and the ethic of care, a number of avenues for reflection can be identified. The first relates to the content of the four domains within the pyramid. The second relates to the generalized focus on society that Carroll proposes.

**Relevant domains for the CSR pyramid from an ethic of care perspective.** Taking the domains from the bottom of the pyramid first, the elements of economic and legal responsibilities have echoes in the masculinist interpretation of stakeholder theory, suggesting autonomy, power and control of the firm in relation to its environment. The underlying implication is that the corporation has the freedom to meet the required external regulatory and financial constraints, and can do so on its own terms. In the case of the small firm, security of position is more fragile and dependent on other stakeholders as has been argued. Accordingly, in place of ‘economic’ and ‘legal’ responsibilities, we propose the more evidently partisan and vulnerable notion of a responsibility for survival[[4]](#footnote-4). This is done on the basis of the firm needing to be economically viable and sufficiently in line with minimum legal requirements to continue to have a license to operate. It is also worth noting that small businesses are not generally profit maximizers but profit satisficers, tending to seek sufficient financial return to continue trading (Spence & Rutherfoord, 2001; Baumann-Pauly et al, 2013). Full legal compliance is unlikely in a small firm where there are insufficient resources to fund a dedicated lawyer or compliance manager (Jenkins, 2004).

From the point of view of ethical responsibilities there is again a masculinist interpretation which is less suitable from a small firm perspective. As shown in Figure Four, Carroll uses an archetypal masculinist interpretation of ‘ethical’ (Nunner-Winkler, 1993) by referring to ‘an obligation to do what is right, just and fair’. He does add the idea of ‘doing no harm’ which is more in keeping with a care perspective, but for this category it is logical to be explicit that the ethic in question is an ethic of care, particularly in relation to those in close proximity. Thus whereas Carroll’s version of ethics is based in rights, justice and fairness, here we propose an ethic based in care.

As shown in Table Three, one domain from Carroll’s pyramid remains unchanged, that of philanthropic. While I have some sympathy with Schwartz and Carroll’s (2003) suggestion that philanthropic can be incorporated in the ethical domain, it is retained as a separate dimension here for reasons as follows. Ethical has been defined in this paper as relating to care. This is only likely to refer to those with whom the organizational members have an existing personal relationship. Philanthropy, however, can occur outside of the close networks in the form of donations of time and money, though admittedly they may be facilitated by members of the organizational network (e.g. fundraising for an employee’s local sports club). Hence we retain Carroll’s philanthropy category since it offers something distinctive to an ethic of care.

**Table Three: Redrawing the CSR pyramid domains**

|  |  |
| --- | --- |
| Masculinist perspective | Ethic of care perspective |
| Economic | Survival |
| Legal |
| Ethical (Rights, justice fairness) | Ethic of Care |
| Philanthropic | Philanthropic |
|  | Personal integrity |

It is not necessary per se to add a fourth domain, but there is a key element of a care approach and a small firm perspective still unacknowledged in the revisions of Carroll’s pyramid thus far. That is, the personal integrity and reputation of the owner-manager. This is a decisive factor in the small firm’s approach to social responsibility as we have noted above (Quinn, 1997). Thus, from an ethic of care perspective we argue that the four domains should be redrawn as indicated in Table Three.

**Disaggregating the CSR pyramid with an ethic of care perspective.** Having redefined some of the domains, a masculinist perspective of Carroll’s work would simply assess what order they should appear in to reflect responsibilities to society. However, drawing from the discussion on the application of stakeholder theory to small business, and applying the *specific*, contextualized nature of the ethic of care perspective leads to a fairly radical departure from Carroll’s generalized pyramid. Given the key importance of particular relationships from a care perspective, and the acceptance of a partisan approach to organization and practice, there is a fundamental conflict between an ethic of care perspective and the single, generalized approach depicted by Carroll’s pyramid. Hence we propose a disaggregation of the pyramid from the general – societal – perspective, to the specific – key relationships – perspective. It is proposed that close relationships warrant individual reflections of accountability and social responsibility from an ethic of care perspective. The individuals or groups towards whom the owner-manager at the center of this discussion is most accountable and responsible are those with whom they are in close proximity, that is owner-managers are answerable to themselves, their families, their employees, their business partners, and their local communities. Accordingly a new ‘small business’ version of Carroll’s model for each of these instances is shown in Figure Five.

Carroll (1991) claimed that the four components in his pyramid are all required to achieve corporate social responsibility, and it is likewise contended that all the (slightly different) components presented here are important. Nevertheless, the order in which they are presented is relevant, such that responsibilities are accumulated as one ascends the pyramid. The base of each pyramid shown in Figure Five is the starting point for responsible behavior. At the apex are those aspects that are desirable but not essential.In addition, this departure from Carroll’s unitary approach to responsibility may necessitate that a range of pyramids is needed to understand the actor in question, rather than seeing one without the context of others. The ordering of the domains is evidently different according to the party to whom the owner-manager is responsible. Clearly this differentiation may cause some conflict for the owner-manager. However it seems likely that this is a level of complexity which is also there for chief executive officers of MNCs, but which is not accommodated by Carroll’s pyramid. The components of the four-part model shown in Figure Five are further explained below.

**Figure Five: Small business social responsibility pyramids**

Personal Integrity

Survival

Ethic of care

Phil-

anthropic

Survival

Ethic of care

Personal integrity

Phil-

anthropic

(d) To business partners

(c) To the local community

(b) To employees

(a) To self and family

Ethic of care

Philanthropic

Survival

Personal integrity

Survival

Personal integrity

Ethic of care

Phil-

anthropic

***(a) Responsibility to self and family***

Responsibility to the owner-manager him or herself and to the family is a primary locus of accountability. This may also be the case for managers in large firms, but they are unlikely to feel such a close association of the self with the business in the way that small firm owner-managers do and associated discretion in business decision-making (Burton & Goldsby, 2009; Quinn, 1997). In the small firm, the business *is* personal (Kitching, 1994) and linked very much to the person of the founder in particular (Fauchart & Gruber, 2011; Schein, 1983) as was noted in relation to stakeholder theory. Hence the base of the components of responsibility, unlike in large firms, is the personal integrity of the owner-manager. Beyond this, survival of the business is of course a further requirement. Failure to ensure the survival of the business (encompassing dealing with economic and legal constraints), would result in personal loss of status, livelihood and indeed represent a failure for the owner-manager (Janjuha-Jivraj & Spence, 2006). Nevertheless, in some instances businesses come and go but the reputation of the entrepreneur can remain intact, as we see in the phenomena of serial and portfolio entrepreneurs (Carland, Carland & Stewart, 2000). The ethic of care perspective reflects the importance of the owner-manager to be accountable to and for those closest to him or her. Finally, the philanthropic approach is a desirable component from the point of view of the owner-manager, but will be limited by available resources. Where the owner-manager has a very strong personal commitment to some charitable cause, this philanthropic component might be closer to the base than the apex of the pyramid, and take on a greater importance.

***(b) Responsibility to employees***

The close proximity of the working environment in most small firms, noted in the discussion on stakeholders, means that employees are extremely important to how the organization is run, including in terms of social responsibility (Jenkins, 2006). For the employees, the key perspective is the survival of the organization and the assurance for them of their livelihood (Spence, 1999). They are concerned that employees are properly looked after, with the ethical component coming next on the pyramid. This is particularly important in small firms since they are less likely be unionized and unlikely to have individuals responsible for human resource management issues who are familiar with legal requirements (Kotey & Slade, 2005). The personal integrity of the owner-manager is part of his or her leadership credibility in gaining the loyalty of the employees (Spence, 2004). Finally, philanthropic generosity is desirable for employees, especially where the owner-manager may be persuaded to donate some money from the business to causes which the employee supports. Employees have been found to be a common source of ideas for philanthropic projects, including resulting in donations across religious denominations (Spence & Schmidpeter, 2003).

***(c) Responsibility to the local community***

From the point of view of the local community, the primary concern is that they are treated with fairness and respect, in an ethical manner (Russo & Tencati, 2009). This might mean ensuring that delivery trucks do not block roads, or that noise levels are kept to a minimum. Philanthropic contributions to community initiatives will be an important measure of the business’ social responsibility for community members (Besser & Miller, 2001). This has been found to be particularly pronounced in developing countries (Muthuri, Chapple & Moon, 2009). The survival of the firm will be of interest because of the secondary investment of employees back into other local businesses and the avoidance of local unemployment. Finally, the personal integrity of the owner-manager will be a discretionary bonus to those community members in contact with him or her, but will only have an indirect impact in terms of the wider community.

***(d) Responsibility to business partners (suppliers, customers, competitors)***

To business partners the primary responsibility is an economic one, ensuring that payments are made in a timely fashion, quality products delivered and that the sector prospers (Spence & Schmidpeter, 2003). It has been found that in some cases competitors are not necessarily seeking to put others in the sector out of business but rather to collaborate (Brown & Butler, 1995), seeing prosperity for all as the most beneficial way forward (Spence et al., 2001). In dealing with business partners on a one-to-one basis, the integrity of the owner-manager is key in acting as a means of social capital between business partners, and can be a source of trust in which business transactions are embedded (Casson & Della Giusta, 2007; Fuller & Tian, 2006; Russo & Perrini, 2009*)*. Understanding the relational interdependence of business partners also extends to the ethic of care domain, with it being particularly important that business partners can communicate and collaborate with a view to mutual support. Finally, philanthropic perspectives may have a role to play in terms of supporting each other’s activities, for example sponsoring a customer’s pet charity.

In summary, Archie Carroll’s CSR pyramid is useful for understanding social responsibility in small business when viewed from an ethic of care perspective wherein:

* The CSR domains are redrawn in terms of survival, personal integrity, ethic of care and philanthropic.
* The CSR pyramid approach is made specific rather than generalized, allowing for the order of priority of the CSR domains to be differentiated according to the group to whom responsibility is orientated.

**Contributions and Future Research**

In this paper three contributions are made to the extant literature. First the ethic of care has been shown to help explain empirical observations of corporate social responsibility in small and medium sized enterprises. Second a feminist and in particular ethic of care application to core CSR theory has been shown to enable a redrawing of those theories revealing a masculinist bias in some extant CSR research. Third, it has been shown how these developed versions of CSR theory are illuminating and relevant when applied to small business social responsibility. While elements of these contributions have been touched on by others (e.g. Burton & Dunn, 1996a; von Weltzien Høivik & Melé, 2009; Wicks et al, 1994), this article represents systematic development of business and society theory with potentially wide-ranging implications. In this section I discuss each of these contributions in terms of their research implications and go on briefly to consider the consequences for policy and practice.

Using Virginia Held’s summary of the characteristics of an ethic of care, it has been demonstrated that a care-based perspective on CSR has explanatory power. Whereas in MNCs, the focus on the responsibility to maximize shareholder value, the separation of ownership and control, the emphasis on formalized, contracted approaches and hierarchical structures speaks to a rationalist lens based on principles and utility, this is less illuminating for small firms. The highly personalized nature of business life in small firms, it is proposed, is the key reason for the pronounced relevance of an ethic of care. There is potential for a more fine grained analysis of the relevance of the ethic of care to small business social responsibility, not least given the variation between small firms (Curran & Blackburn, 1994; Gibb, 2000; Goffee & Scase, 1996). For example, future research may consider whether size difference across small firms affects the pertinence of the ethic of care as an explanatory concept. Is there a tipping point in terms of the scale of an organization and the approach to CSR which can be observed? Does ownership have a role to play, whether the organization is jointly owned, a cooperative, owned by a silent partner or owner-managed as has been assumed here. Industrial sector has been noted as a key distinguishing feature between firms (Phillips, 1994); are there some industrial sectors for which a care perspective is more in keeping than others? Are there other institutional factors which are relevant such as legal framework and whether the country is developing, a transition economy or developed? What role do the characteristics of the individual owner-manager have to play? These might include experience in large firms, serial entrepreneurial experiences, previous successes or failures, education, religion, culture and identity, belonging to a minority ethnic group and the gender of the owner-manager. Given the feminist orientation of an ethic of care, gender deserves a special mention.

Gender of the owner-manager has not been discussed here since the argument has been that an ethic of care is (a) relevant to all, not just women and (b) is a useful explanatory concept across small businesses. Future research might however interrogate this perspective more closely. While female entrepreneurs and women-owned businesses (commonly lumped together with ethnic-minority businesses) are regularly studied, there is little work that robustly explores gender in small business social responsibility (e.g. Braun, 2010; Calás et al, 2009). There is also an intriguing phenomenon in terms of the long-established existence of paternalism in small business studies (Goffee & Scase, 1996). The application of an ethic of care presented here has explicitly not been couched in terms of maternalism, but it is worth investigating whether there are links between the ethic of care and maternalistic or paternalistic management styles, and the role if any of the gender of owner-manager and stakeholders.

The ethic of care may be valuable for other types of settings than small firms. Others have previously used an ethic of care to seek to explain actions in implicit or explicit large firm settings (e.g. Burton & Dunn, 1996a; Liedtka, 1996; Simola, 2003). Hence there are grounds for both deepening our understanding of the insights which can be gained by applying an ethic of care to small business, and investigating its potential in other organizational settings. The future research agenda in this area might for example explore such questions as: the role of an ethic of care in explaining practice in family firms (both large and small) since ‘family and business dynamics are highly interrelated’ (Aldrich & Cliff, 2003, p.574). Where large firms are sometimes decentralized and characterized by small teams or groupings, the importance of proximity and personal relationships may point to a role for an ethic of care. Where firms are highly networked or closely linked with other organizations through their supply chain, for example, relationships are likely to be of great importance, again pointing to the potential for an ethic of care. It is also suitable to consider the role of an ethic of care outside of private sector businesses, in charities, non-governmental organizations, trade associations, professional bodies, business networks, the public sector and public-private partnerships.

Having considered avenues of future research that might profit from an ethic of care perspective, the second contribution relates to how feminist ethics and in particular the ethic of care application can enhance core theory in the business and society arena. Other theories might also benefit from renewed reflection, since it is reasonable to assume that they also have been drawn in light of the dominant masculinist world view of business research. Some work has been done in this direction though failed thus far to be picked up substantially by the mainstream. For example the ethic of care has been applied to corporate governance (Machold, Ahmed & Farquhar, 2008), environmental sustainability (Sama, Welcomer & Gerder, 2004) and corporate citizenship (Dion, 2001). Furthering these initial analyses, and augmenting them with other business and society concepts such as corporate philanthropy and corporate community involvement, could be of great value. The ethic of care is not without its critics, and there are a range of approaches within the overarching theory (for a discussion see for example Keller, 1997). These might usefully be subject to closer analysis and critique in the future, taking into account recent theoretical progress on care and compassion in organizations (Rynes, Bartunek, Dutton & Margolis, 2012).

In this paper it has been shown how redrawn versions of CSR theory from an ethic of care perspective are illuminating and relevant when applied to small business social responsibility. Thus the paper contributes to theory development for the small firm and SME literature. The revised versions of CSR theory could also usefully be tested for their relevance in other empirical contexts. Stakeholder theory and care has already received some treatment as we have noted in terms of the environment as a stakeholder (Sama et al 2004), the Maori culture (Spiller et al., 2011) and with reference to employee rights (Burton & Dunn, 1996b). It would be interesting to assess whether there is any special alignment to the so called ‘feminine’ cultures such as in Denmark, or ‘masculine’ cultures such as Japan. Given the ethic of care’s origins, is there a particular relevance where there are marginalized voices (such as the case with the environment) or where vulnerable people are concerned? Taking Carroll’s pyramid of CSR, with varied responsibilities according to different constituents, is there a need to focus more closely on subsections of society rather than seek to amalgamate ‘society’ into one implied coherent whole?

This research highlights issues for policy makers and business practitioners. It informs the interactions between MNCs and small businesses typically but not only through supply chains. Presently received wisdom suggests that large firms can mitigate the risk of poor CSR practices among their suppliers (such as sweatshop labor practices in the sports apparel industry) by requiring their compliance to pre-determined social responsibility standards (Boyd et al 2007; The Economist, 2012). This implicitly assumes that the MNC is equipped to determine correct social responsibility standards, i.e. in Spence and Bourlakis’ (2009) terms that they are Corporate Social Watchdogs, that suppliers have poor social responsibility and that MNCs can and should transfer their standards up the supply chain. Boyd et al. (2007) have shown this to be highly problematic and that imposition of standards may negatively affect supplier-buyer relationships. Indeed, standards and responsible sourcing codes are influenced most actively by the MNC view (Gilbert & Rasche, 2007). Furthermore, since small businesses have been identified as targets for policy makers in relation to CSR (CEC, 2008), this work is an important contribution to understanding how best to support the promotion of socially responsible business practice. Advancing the ‘business case’ for example is unhelpful when profit maximization is not a driver and small businesses are already operating with employee care and reputation management as high priorities whether or not they call this CSR (Baumann-Pauly et al, 2013). In contrast, awareness of the embedded nature and importance of relationships, and promoting network, cluster and trade-based CSR would be more meaningful (Murillo & Lozano, 2009; Perrini, 2006).

**Conclusion**

This paper, and the body of work on ethics and social responsibility in small firms on which it builds, has significant implications for mainstream CSR and small business research. CSR in small firms has to date been a distant relative of the main field, only really having an impact at the margins. Part of the reason for this has been poor awareness of the overwhelming importance of small firms and the high profile, individual power and impact of MNCs. In addition, a failure by small firm researchers to engage fully with CSR theory tending instead to rely on empirical research rather than theory development has not helped the small firm perspective to gain traction in the wider field. In this paper, progress has been proposed by engaging closely with the familiar territory of CSR theory, but redrawing it to show how it is illuminating for small firms. It is hoped that this process has also enriched CSR theory in a wider sense and enhanced its relevance. Furthermore, the exercise is of value to the small business literature by offering a clear theoretical basis for future social responsibility research in the small firm context. In particular, the introduction of the ethic of care may also have wider value in small business studies. This research provides a meaningful bridge between the SME and the CSR literatures, with appropriately crafted theory for empirical testing and further development.

The work presented here is limited in a number of ways. First, in scope in terms of engaging with only two core concepts in the business and society literature, and treating small firms as heterogeneous. A loose definition of small business and SMEs was used here in part reflective of the disparity of definitions of the small firm. A relative position has been taken, describing small*er* firms rather than seeking to define a definitive type or size. Indeed, this is no different from research on MNCs, where a common understanding is often presumed, without seeking to define what is undoubtedly also a highly heterogeneous group, although relatively small in number. In this paper, the approach has been to accept the idiosyncrasies empirically observed within the small business and focus on the commonalities. Future research should consider some of the sub-groups of small firms. For example, a significant proportion of those which are defined as small firms have no employees at all (CEC, 2008), and the analysis here incompletely applies to them, since emphasis has been given to the importance of employees. Finally, it should be noted that here the entrepreneur is considered simply to be the small business owner-manager, despite the many and varied understandings of entrepreneurship as an activity, character trait, process, or organizational stage (Shane & Venkataraman, 2000). Such aspects are also beyond the scope of the current paper.

Feminist research in the business and society, small business and mainstream management field appears regularly but tends not to be embraced actively by the mainstream research base. Reasons for this are unclear, but it is hoped that the fresh perspective that has been developed in this paper demonstrates the wide relevance of a feminist approach. Since small business and CSR research is already running somewhat parallel to the mainstream, feminist perspectives on these may run the risk of ending up in an intellectual siding. It is sincerely hoped that the potential value of the approach continues to be acknowledged, interrogated, critiqued and used to good effect in the future.

By focusing on small business, one purpose has been to shift the lens away from the hegemony of the MNC. Large firms routinely and systematically overshadow any other type of organization in the management and business literature and popular press. I conclude by calling for renewed awareness and acknowledgement of CSR in the full gamut of organizational forms and ownership structures such as public sector firms, state enterprises, non-governmental organizations, charities, social enterprises, family businesses, co-operatives, small business partnerships and sole proprietorships. Each of these plays a substantive role in business and society and research is incomplete if they are disregarded when theorizing CSR.

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**Appendix One: MNC and SME difference and CSR implications**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Classic MNC (Sundaram & Black, 1992; Djelic & Amdam, 2007)** | **Classic Small Business** | **CSR implications for small business** |
| **Ownership and control** | Shareholders principal, CEO agent | Owner-manager as principal and agent (e.g. Quinn, 1997; Aldrich & Cliff, 2003) Personal and family influence (e.g. Jenkins, 2004; Fauchart & Gruber, 2011; Morsing & Perrini, 2009; Uhlaner et al, 2004) | *Partisan:* Discretionary CSR implicit. Responsibility to family and self |
| **Governance and reporting** | Formalized and codified. Professionalization of management | Informal and personal (e.g. Baumann-Pauly et al, 2013; Kitching, 1994; Kotey & Slade, 2005; Russo & Tencati, 2009) | *Personalized:*  No language or codification for CSR |
| **Transactions (internal and external)** | Contract based. Profit maximisation and shareholder value | Relationship based in embedded community networks (e.g. Besser & Miller 2001; Campin et al 2012; Murillo & Lozano, 2009). Reputation, status and legacy (e.g. Lähdesmäki & Siltaoja, 2010). Importance of social capital (Fuller & Tian, 2006; Russo & Perrini, 2009) | *Relationship based:* Personal trust, integrity, honesty |
| **Power structures** | Hierarchical and role orientated | Flat, flexible, multi-tasking. Personalized responsibility (e.g. SBRC, 1997; Russo & Tencati, 2009) | *Flat power structure and responsibility:* Owner-manager power, and responsibility for and reliance on employees |

1. The US Small Business Association defines small business as having fewer than 500 employees (SBA, 2012) compared with Small and Medium Sized Enterprises, SMEs, defined as having up to 250 employees in the European Union (CEC, 2008). Here, the ‘small business’ terminology is used predominantly. For a discussion of definition of firm size see Curran & Blackburn (2001). [↑](#footnote-ref-1)
2. Since I do not refer to the actions of a particular gender in this paper, the terminology adopted here is not one of male and female, nor of masculine and feminine, but of masculinist and feminist approaches (Tronto, 1993). [↑](#footnote-ref-2)
3. For a dialogue on the development of stakeholder theory see Agle, Donaldson, Freeman, Jensen, Mitchell & Wood (2008). It should be noted that there is some contention over the extent to which stakeholder theory is an example of corporate social responsibility. Freeman & Liedtka (1991) propose it as an alternative to CSR. Freeman & Velamuri (2006) suggest the notion of Company Stakeholder Responsibility as preferable to CSR, but this has not gained a strong following in the field. The authors object to a separation of business and society which they consider CSR to represent. In line with the majority of the field’s protagonists, stakeholder theory is treated as a CSR concept here. [↑](#footnote-ref-3)
4. According to the US Small Business Association: “About half of all new establishments survive five years or more and about one-third survive 10 years or more. As one would expect the probability of survival increases with a firm’s age. Survival rates have changed little over time” Retrieved October, 30 2012 from <http://www.sba.gov/sites/default/files/FINAL%20FAQ%202012%20Sept%202012%20web.pdf> [↑](#footnote-ref-4)