

Adopting a Competitive Approach to Managing and Communicating CSR and Environmental Activities: Diverse or Similar Strategies?

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ABSTRACT

Today, corporate social responsibility (CSR) and environmental management scholars widely acknowledge that the implementation of CSR and environmental management practices depends on the importance managers attribute to such issues, and the extent to which they integrate CSR and environmental management considerations at the strategic level and thus into their activities aiming at improving the general competitiveness. The purpose of this paper is to explore whether or not such a strategic linking activity exists and to discuss how environmental activities in relation to employees, customers, suppliers, etc. are perceived to affect the company's competitiveness and result in increased performance, quality, productivity, innovation and reputation. The paper reviews the literature on CSR, environmental management and competitiveness and uses data from a structured questionnaire survey distributed to a random sample of SMEs in Denmark in 2005 focusing on their CSR initiatives and activities. Along with previous reported results, cost reduction aspects of taking initiatives on environment-related CSR issues in SMEs seem to be in focus more than stakeholder contact and implementation of formal management tools. This finding is supported by SMEs' evaluation of the efficiency of environmentally related initiatives as two dimensions can be identified: cooperation and reputation on the one hand and economic aspects on the other hand.

Introduction

The academic interest into the social dimensions of business activities goes decades back (Lazarus, 1968; Eilbirt and Parket, 1973; Zenisek, 1979) and is shortly thereafter penetrating economics (Byron, 1982; Shrivastava, 1995). A consensual agreement of CSR, according to the Commission of the European Communities in 2001 is reflected in the following interpretation of 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 (Dobers, 2009, p. 186). This paper departs from this definition and assumes that environmental management is an inseparable part of corporate social responsibility. Within the field of CSR, many different models and definitions have been provided (e.g., Carroll, 1991; Elkington, 1998; Marrewijk, 2003) leading to different approaches and strategies. At a more general level, and inspired by Deetz (2001), CSR can be conceptualized as a speciality in companies and organizations, i.e. CSR in fact and figures: how many companies are engaged in CSR, how much research and teaching is made in CSR, what type of activities are covered by CSR, and how is CSR delimited from other practices, etc.? Such a conception can be used to determine what is or is not CSR. It can be argued that this focus will give us more understanding of how people go about CSR rather than of the underlying conceptions of CSR. Secondly, CSR can be conceptualized as a phenomenon that exists in organizations. Such a conception can be used to define what CSR is in organisations, make useful subdivisions or categories (e.g. categories of CSR activities) and suggest how it can be studied as a distinct and unified field of organisation and communication studies. A third approach is to think of CSR as a way to describe and explain companies and organizations. Here the focus is on the process of organizing through interaction and communication rather than on “CSR” within a “company” or an “organization”.

Based on a review of the literature on the linkages between CSR and competitiveness, the aim of the paper is to investigate the importance Danish SME managers assign to managing and communicating one type of CSR activities, i.e. environmental activities, and whether the surveyed managers establish a link between such initiatives and economic performance (competitiveness). Secondly, the aim of the paper is to discuss how the

importance attributed to environment-related CSR initiatives and the interaction with employees, customers, suppliers, etc. are perceived to affect the company's competitiveness. By so doing, the paper attempts to provide original data regarding the potential linkages between environment-related CSR activities. At a conceptual level, the aim of the paper is to contribute to the growing literature that, since Porter and van der Linde (1995a, 1995b) adopts a more proactive, strategic and processual or stakeholder-interactive approach to CSR (e.g. Galbreath 2009; Bhattacharya 2010).

From a methodological perspective, the paper aims at contributing to the central question in the field of CSR management and communication about how researchers can investigate CSR and possible linkages between CSR and competitiveness as perceived by the surveyed managers.

The structure of the paper is as follows: after the introductory chapter, an overview of the current literature on the link between managing and communicating CSR and competitiveness is provided and issues of methodology are outlined. Thereafter, research questions are listed and elaborated upon. Following this, the research design and the analytic method are outlined, and the analysis is provided along with a presentation of the main findings. Finally, the results are discussed in terms of implications for theory, methodology and practical use.

Linking CSR and environmental management with competitiveness

The conceptualization of CSR as a phenomenon that exists in organizations means that the focus is on making useful categories. Useful categories from our perspective are *areas of activities* related to the linkages between CSR management/communication and competitiveness in SMEs. Moreover, conceptualizing of CSR as process further implies that the focus in this paper is on *interaction* with or strategies adopted in relation to employees, customers, suppliers, etc.

In a CSR management and communication perspective, one of the key problems is that companies do not have a clear motivation for engaging in CSR (Paine 2003). Accordingly, managers tend to overlook the potential impact that CSR may have on their

competitiveness (Porter and Kramer 2006). Research has demonstrated that companies', and especially SMEs', motivation for adopting environmentally responsible management practices is un-reflected and/or ad hoc (non-strategic), and that their selection of CSR models, initiatives and activities reflects this un-reflected approach (Murillo and Lozano, 2006; Nielsen and Thomsen 2009). Regardless of the motives involved, however, CSR initiatives are perceived to be of a direct instrumental value to companies as these models and initiatives are often associated with valuable reputational returns and an overall improved financial performance (e.g. Cornelissen 2008: 44).

Within the field of strategic management, it has been argued that the active support of managers is a precondition for bringing about social and environmental improvements (e.g. Epstein, 2008). Perceptions of CSR guide the executives' actions, which in turn can be expected to shape organizational behaviour and performance (Pedersen, 2010). To understand CSR and CSR practices or activities, it is therefore necessary to understand how managers view the role of business in society (Pedersen, 2010: 156). Based on survey responses from over 1,000 managers in eight large international firms, Pedersen (2010) for example found that managers still have a relatively narrow perception of societal responsibilities, which can be summarised as follows: take care of the workers and provide the products and services that the market demands without harming the environment. Managers, however, do not seem to believe that their responsibilities towards society cover issues such as social exclusion, Third World development and poverty reduction (Pedersen, 2010: 163).

Research on environmental management in approximately 500 Danish business organizations carried out in 1999 provides a stakeholder-based empirical analysis of the situation in the Danish business community (Madsen and Ulhøi, 2001). This research identifies a relative weakness of stakeholder grouping (including market forces) what can be referred to as a 'pull' influence and a relatively strong 'push' influence of what can best be described as regulation. The study concludes that this indicates that the general interest in environmental matters in society is still in its infancy and that this is so because the full consequences of environmental problems are not yet fully acknowledged. However, the opposite seems to be the case in environmentally leading firms, where the awareness of stakeholder concerns is much higher (Madsen and Ulhøi, 2001: 86). The same conclusion is further supported by a more recent research study (Madsen and Ulhøi, 2006) leading the

authors to posit that the rate of adoption of corporate environmental management hardly warrant admiration. A small increase in the adoption rate has, however, been observed recently (Madsen and Ulhøi, 2009), although a major breakthrough regarding a reduction of the environmental impact following from industrial business activities are still to be awaited. These findings seem to question that managers really truly acknowledge the competitive advantage of environment-related CSR.

Recently, it has been argued that CSR should be linked integrally with strategy to develop competitive advantage in the current environment (Galbreath, 2009). Moreover, it is argued that in order to more strategically address CSR, organizations need to consider six strategy dimensions: firm mission, strategic issues, markets, customer needs, resources and competitive advantage. Considering CSR in light of these dimensions, offers a strategic approach to systematically explore ways in which social responsibilities can be built into strategy. Otherwise, firms run the risk of equating CSR with codes of ethics, triple bottom line reports and public relations campaigns, for example. Such approaches, it is argued, are “too limited, too defensive and are too disconnected from strategy” (Galbreath, 2009: 122). Other researchers argue that the nature of the relationship between CSR and competitiveness remains fuzzy (Van De Ven and Jeurissen, 2005; Porter and Kramer, 2006; Mackey et al., 2007). However, new attempts have been made to shed some light on this fuzziness (Vilanova et al., 2009). Based on the commonly held view that firm competitiveness is defined by the market, Vilanova et al. (2009) argue that CSR and competitiveness are intimately related through a learning and innovation cycle, where corporate values, policies and practices are permanently defined and redefined. As pointed out above, it is argued that CSR and competitiveness are connected through adopting learning and innovation processes. Integrating CSR into corporate values, policies and practices may provide an opportunity to integrate CSR as driver for competitiveness (Vilanova et al., 2009: 63)

In practice, however, CSR consists of managing inherent paradoxes generated by the tension between CSR and business policies, e.g. when attempting to link strategies of profitability with strategies of social responsibility and environmental management. In consequence, it is argued, that to explain the nature of the relationship between CSR and competitiveness, research should focus on framing organizational paradoxes in relation to

CSR and on how organizations manage these paradoxes, rather than the results, impacts or outputs generated from CSR policies (Vilanova et al., 2009: 64-65).

Within the field of strategic communication, it has very recently been proposed that by engaging in CSR activities, companies can not only generate favourable stakeholder attitudes and better support behaviours (e.g. purchase, seeking employment, investing in the company), but also, over the long run, build corporate image, strengthen stakeholder-company relationships, and enhance stakeholders' advocacy behaviours (Du et al. 2010). However, stakeholders' low awareness of and unfavourable attributions towards companies' CSR activities remain critical impediments in companies' attempts to maximize business benefits from their CSR activities, highlighting a need for companies to communicate CSR more effectively to stakeholders. Moreover, research points to an urgent need to get a more detailed understanding of how to communicate CSR more effectively to stakeholders. Du et al. (2010: 17) state that CSR communication is a delicate matter. Stakeholders "can easily become leery of extrinsic motives when companies promote their CSR efforts". The challenge for companies is to avoid the backlash effect CSR communication can have if stakeholders become suspicious and perceive predominantly extrinsic motives in companies' social initiatives. CSR communication programs must be designed to overcome stakeholder scepticism and generate favourable CSR attributions.

Morsing et al. (2008) contribute with two models that may help shedding some more light on how companies can best communicate their CSR initiatives. Based on a reputation survey and two case studies of Danish corporate CSR frontrunners, they first develop an 'inside-out approach' to suggest how managers can manage their CSR activities to achieve a favourable CSR reputation. Employees appear as a key component in building trustworthiness, as CSR communication is shown to evolve when taking an 'inside-out approach'. Second, they develop a CSR communication model with two CSR communication processes targeting different stakeholder groups: 'the expert CSR communication process' and 'the endorsed CSR communication process', the former being direct and the latter being indirect, legitimized or endorsed by a third party. Integrating these models and processes, it is argued, may help companies strategically capturing reputational advantage from their CSR initiatives (Morsing et al. 2008).

The models described above demonstrate that the basis for trustworthy CSR communication is the involvement and commitment of employees to corporate CSR policies in what is referred to as an ‘inside-out approach’. Without employee commitment, CSR communication is perceived as pure top managerial rhetoric, of which stakeholders hardly will be satisfied. The models also demonstrate that the challenge of communicating CSR to stakeholders is managed by balancing “expert” and “endorsed” CSR communication processes aimed at highly involved stakeholders and the general public and customers, respectively (Morsing et al., 2008). Thus, the models constitute a useful point of departure for corporations’ choice of CSR agendas, issues and channels.

The literature review has highlighted a number of relevant factors that impact the linkages between CSR and competitiveness. Research has demonstrated that the active support of managers is a precondition for bringing about social and environmental improvements. To further an understanding CSR and CSR practices or activities, a closer look at how managers view the role of business in society might be worth considering. In this paper, we focus on one type of CSR activities, i.e. *environmental activities* (vs. social activities) and on *SME managers’ perceptions*. Secondly, research has demonstrated that CSR needs to be linked integrally with strategy to develop competitive advantages, which means that managers should prioritize CSR and in our case environmental activities. Differently put, we investigate *the importance SME managers assign to managing and communicating environmental activities and their perceptions of the link between these activities and competitiveness*. Third, it has been argued that the link between CSR and competitiveness relate through a learning and innovation cycle, where corporate values, policies and practices are permanently defined and redefined, the focus being on involving employees and overcoming stakeholder scepticism. We *discuss our findings* in light of the reviewed literature on the linkages between CSR and competitiveness. The literature has focused mainly on large enterprises and less on small and medium-sized enterprises. Recently, however, there has been an emerging interest in the relationship between SMEs and CSR (e.g. Business Ethics. A European Review, volume 18 Issue 1 2009). Our paper takes up this development.

Research questions

In order to better understand the challenges for establishing a link between managing and communicating CSR/environmental activities and competitiveness in SMEs, the paper will revolve around the following research questions:

1. To which extent: a) do Danish SME managers assign strategic importance to managing and communicating environmentally focussed CSR activities, and b) do they establish/perceive a link between such initiatives and expected outcome (perceived competitiveness)?
2. How is the importance - or lack of importance - attributed to adopting environmentally focussed CSR initiatives and related initiatives in relation to employees, customers, suppliers, etc. perceived to affect the company's competitiveness?

In addressing these questions our research is expected to contribute to the understanding of the importance managers assign to managing and communicating CSR and environmental activities, and the extent to which managers cognitively seem to establish a linkage between such activities and competitiveness. Moreover, this research is hoped to contribute to the discussion of how the importance attributed to CSR and environmental activities and the strategies adopted in relation to employees, customers, suppliers, etc. are perceived to affect the company, the focus being on competitiveness. In so doing, the paper further contribute to the growing literature that adopts a strategic and processual or stakeholder-interactive approach to CSR.

Methodological approach

With the purpose of investigating the research questions stated above in more detail, it has been possible to get access to data collected from a large scale questionnaire based survey of SMEs in Denmark carried out in 2005 (tns Gallup, 2005). The survey focused on the companies' CSR initiatives and activities in general. However, one of the sections in the questionnaire asked questions about communicative and competitive effects of initiatives in the environment-related CSR area. The responses to these questions have been extracted for further analyses in this paper.

The respondents were sampled in the following way: First a random sample of SMEs was selected from an electronic data base. Next the sampled companies were contacted by telephone in order to achieve their commitment to receive and complete a questionnaire. Since it was expected that many companies would reject to participate in the survey, the initial sample size was set as high as some 4000 companies. This sample size reflects approximately 10% of the population of SMEs in Denmark. About one third of the contacted companies declined from participation, leaving 2840 companies (68%) in the effective sample.

All participating companies received an email with an individual link to an Internet based questionnaire. A total of 1071 (38% of the effective sample or 26% of the original sample) actually completed the questionnaire. Even if the response rate is relatively low the number of responding companies does represent around 2.5% of the entire population. This should be a sufficient number to make the required analyses.

Measures

The first question of interest asked about environmental initiatives taken by the companies concerned the following three areas: (i) dialogue with stakeholders; (ii) development of environmentally friendly business or production processes; and (iii) adaption of product life cycle analysis. This question could be answered by a *yes* or *no*. The second question of interest focused on the perceived effect of environmentally related CSR activities in relation to: (i) the general reputation; (ii) attract or withhold a qualified work force; (iii) ability to attract or withhold customers; (iv) cooperation with partners (in general); (v) the competitiveness; (vi) the economic result (the bottom line); (vii) reduction of resources; and (viii) reduction in production costs. Each of these items could be answered using a response scale ranging from *very negatively* over *neither negative nor positive* to *very positively*. The final question of interest was related to the evaluation of costs versus benefits from environmental initiatives, i.e. the overall effect on the economic bottom line. The responses could be *negative*, *positive* or *no effect* as well as *don't know*.

Data analysis

In consequence of the nature of the data (questionnaire based data measured on closed response scales), a number of relevant statistical analyses can be performed. Concerning the first and the last question, simple tabulations appear as a preferred choice. The second

question, on the other hand, can be taken as a scale of items representing an overall question (a concept). Therefore, more advanced statistical analyses like a factor analysis can be applied to investigate potential underlying structures in the response pattern (see e.g. Hair et al., 2009). The factor analysis is carried out by using a principal component approach followed by a varimax rotation with Kaiser Normalization using the SPSS software system.

Findings

The sampled companies represent Danish SMEs in general. Thus, the major part is located in the region of Jutland (48.2%) and another major part in the capital or capital area (34.6%). The majorities are registered as limited companies (66.9%) and a smaller part as branches (13.8%) or partnerships (9.3%). The activities of almost all companies are related to the following three sectors: industry (31%), trade and repair (28.3%) or estate and leasing (23.8%). Only a minor part of the companies have activities related to sectors like construction (8.5%) or transport (5.1%). The companies have been founded between 1816 and 2003 and the average age of the companies is 26 years. There is an almost equal distribution of companies in the age groups 5-15 years, 16-25 years and 26-55 years (approximately 27% in each). The number of employees reflects very well the definition of a SME as it varies between 10-247 employees with an average of 43 employees. All in all, these facts fit well with the information from general statistics of Danish companies.

The responses to the questions concerning environmental initiatives can be found in table 1.

Table 1. *Actual environmental initiative taken by the company (percentage of responding companies).*

	No	Yes
Dialogue with and involvement of the company's stakeholder in essential decisions concerning the environmental impact of the company	73.4	26.6
Development of business and production processes regarding reduction of resources and energy	24.9	75.1
Product Life Cycle Analyses	65.2	34.8

As follows from table 1, relatively few companies have engaged in dialogues with their stakeholders or involved them in the decisions concerning the environmental impact of the company. Slightly more companies have adopted product life cycle analysis in their production. Opposite to the low level of these two environmentally-focussed CSR practices, many companies have developed business and production processes regarding cost reductions in relation to resources and energy. That is, environmental initiatives seem to have a clear cost reducing focus (the ‘low hanging fruits’) whereas formal procedures or dialogue are only taking place to a limited extent.

The perception of the effect of environmental initiatives is based on a factor analysis of the items mentioned above. The result is presented in table 2.

Table 2. *Factorization of the companies’ responses as to their perception of the effect of their environmental initiatives in a number of specific areas as well as the average response**.

Area	Factor 1	Factor 2	Average response
The ability to attract customers	0.841		3.59
The general reputation	0.780		3.84
Cooperation with partners like suppliers and the local environment	0.770		3.47
The ability to attract and withhold qualified employees	0.759		3.43
Competitiveness	0.551	0.515	3.41
Reduction of production costs		0.832	3.49
Reduction of resources		0.809	3.83
The economic result (the bottom line)		0.717	3.36

*) The response scale applied was: (i) very negatively; (ii) negatively; (iii) neither negatively nor positively; (iv) positively; (v) very positively. Total explained variation 63.629%. Factor scores below 0.3 have been deleted in order to increase the overview.

The result presented in table 2 demonstrates a relatively clear two-factor solution. *Factor 1* can be characterized as representing cooperative and reputational issues. Opposite to this dimension *factor 2* can be characterized as purely economic in nature. The total variance explained is 72% indicating a fine explanatory power in the two factors. However, the general clear-cut factorization is disturbed by the secondary loading of the item concerning competitiveness. This finding indicates that competitiveness is perceived to impact cooperation and reputation as well as economic performance. Removing competitiveness from the factor analysis, however, does not challenge this result; i.e. the two factors identified in the first analysis still explain the response pattern.

In addition to the factor analysis, it can be further observed that the average response to all items in table 2 stays within the interval of 3.5-4.0. That is, approaching a positive perception of environmental activities from the neutral stand point (neither negative nor positive). Thus, the overall perception of the two factors identified in the factor analysis seems to be at an equivalent level.

When it comes to the evaluation of benefits versus costs from environment-related CSR initiatives, the result can be found in table 3.

Table 3. *Comparing the benefit of the company's environmental initiatives with the costs does it result in a positive or negative effect on the overall economic result (the bottom line)? (percentage of respondents)*

Economic effect	percentage	Cumulative percentage
Negative	10.7	10.7
No	35.5	46.2
Positive	40.2	86.4
Don't know/won't answer	13.6	100.0

The result in table 3 indicates that the perception of the majority of the respondents is that environmental initiatives have no or negative economic effects on the bottom line (40% indicates a positive economic effect).

However, a cross tabulation of the question in table 3 with the questions in table 1 suggests that when it comes to the development of business and production processes, those companies which have implemented such initiatives also find that the cost-benefit ratio is positive. On the other hand a larger part of the surveyed companies also points to a positive economic influence from the two other initiatives mentioned in table 1. But they have not implemented any of them. That is, the positive economic effect primarily seems to be associated with tangible adjustments of business and production processes only.

This impression is further confirmed when cross tabulating the question in table 3 with the items on reduction of resources and reduction of production costs in table 2. For the majority of companies a high degree of correlation thus can be identified between a positive perception of the two initiatives and an evaluation of the influence on the bottom line.

Discussion and implications

Intentions often surpass action. This is even more true when it comes to engaging in environment-related CSR activities which can be considered to be “an issue no one can afford to entirely disregard”, given increasingly high expectations from internal and external stakeholders. The present study is entirely based on the perceptions of the respondents, and thus it cannot be said to be free from biases; that is, the results reported in the previous section do not reflect the actual environmental performance and thus may give a rather optimistic impression. Moreover, the study is based on Danish SMEs only. Given that Denmark is generally recognised for being among the environmentally highly concerned nations in the world, the situation may differ if the study is replicated in another cultural setting where the environment is generally not attributed with the same importance and/or where the general level of experiences with environmental regulation is less pronounced.

The general tendency observed in the adoption of environmental initiatives in table 1 indicates that such initiatives seem to have a clear cost reducing objective, whereas formal procedures or dialogue are only taking place to a limited extent. Few companies have, for example, engaged in stakeholder dialogues or adopted product life cycle analysis in their production. Many companies on the other hand have developed business and production processes regarding cost reductions in relation to resources and energy (the low hanging fruit). This confirms previous results reported from surveys of Danish industrial companies (Madsen and Ulhøi 2006). That is, companies do not seem to have engaged in further initiatives beyond cost reduction. More recent reports (Madsen and Ulhøi 2009), however, indicate an increasing rate of implementation of environmental initiatives. However, the cost reducing focus remains unchanged. This is further in line with previous research stating that CSR initiatives are of a direct instrumental value to companies in that they are often related to an overall better financial performance (Cornelissen 2008: 44). Financial performance being defined by the respondents in the present study as cost reduction rather than formal procedures or dialogues, the study seems to indicate that SMEs don't understand the broader potential impact that CSR may have on their competitiveness (Porter and Kramer 2006).

The general tendency observed in the perception of the effect of environmental initiatives in table 2 indicates that competitiveness is considered to have important connections to

cooperation and reputation as well as the company economy. These findings also comply with previous research highlighting the complex link between CSR and competitiveness and arguing that competitiveness is an outcome of learning and innovation processes embedding CSR (Vilanova et al., 2009). As pointed out by Vilanova et al. (2008: 58) competitiveness is a result of the integration of CSR and the innovative CSR practices that follows from this integration.

The tendency observed in the evaluation of benefits versus costs from environment-related CSR initiatives indicate that in spite of the focus on cost reductions, environmental initiatives are to a large extent perceived to have no or negative economic effects on the bottom line. However, 40% of the companies do report about positive economic effects. But only a minor part has actually implemented such initiatives. That is, most of these companies do apparently not seem to have taken initiatives beyond what can be seen at the bottom line. Therefore, their perception must be based on pure speculation. Moreover, the perception of positive economic effect only seems to translate into adjustment of business and production processes only. Therefore, even if useful categories can be identified by the factor analysis it is not immediately straight forward to explain why competitiveness is considered to impact cooperation and reputation as well as economic performance.

The conflicting aspects discussed above seem to indicate that SMEs do not have a clear motivation for engaging in CSR and do not seem to recognize the potential impact CSR may have on their competitiveness. One reason may be that the relationship between CSR and competitiveness is too fuzzy as pointed out by Van de Ven and Jeurissen (2005), Porter and Kramer (2006), and Mackey et al. (2007) and has not been demonstrated in theory or practice. Differently put, the focus on resource and cost reductions has an immediate positive economic impact on the companies' bottom line – and a positive environmental effect as well – but apparently, it does not lead to strategic and proactive initiatives. Furthermore, resource and cost reductions normally pay off immediately whereas other types of CSR initiatives take longer time before they become profitable. Therefore, in a competitive market with unclear pro-environment-related CSR, SMEs are likely to stay reluctant to undertake initiatives with a long and less certain payback time. To introduce a change someone must take the lead and let the snowball roll. For the time being it still seems as if this driving force remains legislation (Madsen and Ulhøi 2001).

That is, strategic advantages following from adopting and implementing CSR and environmental initiatives stay unappreciated by SMEs.

Another conflicting aspect concerns the relatively equal perception of the effect of the environmental initiatives represented by the two factors identified in the factor analysis: the cooperation and reputation factor and the economic factor. Since only a minority of the companies report about initiatives involving dialogue with their stakeholders, the message seems clear: Dialogue is important but economic performance is more important.

The discussion above leads to a situation where the two research questions can be answered in a similar way: Danish SMEs consider managing and communicating environmental activities as equally important but they do not act accordingly. The focus on cost reductions indicates in general a fundamentally operational and thus predominantly short term economic perspective when undertaking environment-related CSR initiatives, whereas the strategic aspect does not seem to be recognized to any larger extent.

Several implications can be drawn this study. First, it is obvious that SME business managers need to have a clearer motivation for engaging in CSR. Moreover, they need to recognize the potential impact that CSR may have on their competitiveness (Porter and Kramer 2006). In other words, a nuanced, proactive and long-term (strategic) approach to responsible and sustainable management is required. CSR should be linked integrally with strategy (Galbreath, 2009), and SME business managers should learn from environmentally leading firms, where the awareness of stakeholder concerns is high (Madsen and Ulhøi, 2001: 86). Such a change in behaviour would make perfect sense as it would secure their future as sub-suppliers for larger and environment-related CSR aware firms, since such larger firms hardly would accept any sub-contractor to have an environment-related CSR –performance that is lower than their own. Next, well-functioning and green markets have to be supported and further developed (Ulhøi, 2008). Furthermore, there is an urgent need for SME business managers to communicate CSR more effectively to stakeholders, e.g. by adopting an ‘inside-out’ approach’ (Morsing et al., 2008). Moreover, using what has been termed the ‘engagement experiences’ of individuals and communities is practised in leading organisations as a new basis for value creation (Ramaswamy, 2009). In this perspective, the focus is on changing the very nature of engagement and relationship between management and employees, and between the organisation and external “co-creators” of value, in particular customers. Managers are

encouraged to articulate a clear point of view about the future, reinforce the co-creating mindset and skills of managers, foster internal collaboration as well as supporting and nurturing co-creation initiatives inside the organisations (Ramaswamy, 2009: 36) since “The co-creation journey” begins inside the organization (Ramaswamy, 2009: 32). Such a re-orientation, however, is likely to take some time and require a different mindset among SME business managers. Instead of exclusively focusing on how to save money by engaging in environmental activities, SME business managers need to realize that it may be worthwhile also to focus on how to create value to internal and external customers by engaging in environmental activities. In other words, an integrated approach is needed, an approach that takes full account of the individual firm and its connectedness to the global market place and the wide-spread adoption of new technologies that permit customers, employees and other stakeholders to continuously influence corporate activities at the same time as they are influenced by corporate activities. More research is needed on this. At the same time, and until market forces play a more influential role, it also seems obvious that political initiatives are needed to bring the CSR case forward.

Conclusion

CSR and environmental management and communication have been widely acknowledged managerial tools for a number of years in both large and SME companies. However, in response of the extent to which SME managers assign strategic importance to environmental communication and management, our study demonstrated that they only attribute minor importance to this issue. Only a third of the investigated SMEs have engaged more systematically in dialogue with stakeholders and involved them in decision making concerning environmental impacts of environmental activities although up to 3/4 of the SMEs have actually engaged in production processes and product life cycle analyses concerning reduction of resources and energy. In response of whether SME managers perceive a link between adopting environmental and related CSR initiatives and competitiveness, our findings suggested that competitiveness is perceived to be linked equally to cooperation and reputation and to economic performance. Finally, in evaluating the perceived balance between the benefits and the costs of adopting environmental initiatives, our findings indicated that the majority of SME managers consider

environmental initiatives to have only a slightly positive impact on the companies' overall economic results.

In conclusion, we argue that the investigated SMEs seem to be more sensitive to environmental communication and management as a cost reductive rather than a reputation management and consequently a competitive instrument. Accordingly, since they do not seem to recognize the need for engaging in a more formal and strategic stakeholder dialogue, we conclude that managing and communicating CSR and environmental activities in SMEs seems to be more driven by regulation than by strategic reputation management and competitiveness, which is strongly supported by our literary framework and earlier empirical studies.

This may partly explain why Danish SMEs are still lacking behind larger and environmentally pioneering companies, where the awareness of strategic, integrated approaches to CSR and environmental management and communication is more espoused and developed.

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