



**Company Image and Corporate Social Responsibility:
Talking with SME Managers**

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Abstract

Purpose: The aim of this paper is i) to establish a framework for delineating the drivers of corporate social responsibility (CSR) activities in the small and medium enterprise (SME) context; and ii) to analyze CSR’s impact on SME image and positioning. **Design/Methodology:** The general conceptual framework proposed by the literature is complemented by empirical research based on a longitudinal multi-case study (inter and intra-industry). **Findings:** Our research suggests that owner-manager values coupled with market and legal pressures are key drivers for CSR in the SME context. Managers expect positive outcomes when CSR is implemented. However, our data suggest that while proactive and consistent SMEs tend to build up a good image and strong positioning, reactive, opportunistic firms may be penalized by stakeholders (e.g., customers). **Implications:** CSR activities, when adequately managed, stand to enhance SME image and market positioning. **Originality/Value:** Ideas presented in this paper may contribute towards better resource management in SMEs.

Key-words: Corporate Social Responsibility, SMEs, values, case study.

Company Image and Corporate Social Responsibility: Talking with SME Managers

1.-Introduction

Small and medium enterprises (SMEs) today face increasingly complex, dynamic contexts where obtaining—and maintaining—competitive advantages can be a daunting challenge indeed. Another factor to bear in mind: SMEs present different profiles than big firms in terms of resources and capacity. In this context, one of the main objectives is full consumer satisfaction, not with respect to products alone but with firm-generated externalities as well.

As a rule, all companies seek to enhance image and market positioning. What sets SMEs apart, however, is the need for austerity in terms of the resources invested in communication and image. Concepts like corporate social responsibility (CSR) become reference elements for management because CSR may contribute to a better image. We can intuitively understand, therefore, why CSR is increasingly present on both the European and the North American economic and political stage (Doh and Guay, 2006).

An initial look at the CSR construct reveals a response on the part of many companies to a series of demands that foster an economic, technological and legal framework where social benefits take precedence over ‘traditional’ financial benefits (McWilliams and Siegel, 2001); this response is either proactive—rooted in owner-manager values and beliefs—or reactive in nature; a reflex, in other words, to market/consumer pressure, and legislation (Cambra et al., 2008).

Managers must be aware of both the positive and negative externalities their companies generate for society—as well as how consumers value them—since a company’s global image largely depends on such factors (Devinney, 2009; Luo and Battacharya, 2006; Barends et al., 2005). In any case, company image must be identified, and CSR accurately defined, if CSR activities and communication actions allowing firms to recuperate investments in terms of positive outcomes are to flourish.

Many companies sincerely care about consumer satisfaction and the externalities they generate; others simply react defensively, scramble to adapt to specific situations and to reap the benefits of their efforts. Inevitably, both stances generate a company

image which is perceived by consumers. Crane (2000), among others, sustains that an unknown percentage of companies base their activity on so-called *self-interest ethics*—focusing all their effort on transmitting an attractive image (e.g. environmental respect) rather than on behaving responsibly or ethically and fostering a company culture which is authentically concerned with consumer needs.

Consequently, in light of the fact that SMEs are intrinsically different than large firms, the present study aims to identify the drivers for CSR practices in SMEs and take a closer look at their impact on image and market positioning. To this end, we take the global framework proposed by the literature as a point of reference and adapt it to the SME context. Our conclusions are by no means presented as sacrosanct; they do aspire, however, to serve as a guideline for SME managers on their quest to become more fully aware of the short and long term implications of their decisions. The structure of the paper is as follows: Section 2 analyses the concept of CSR; Sections 3 and 4 present the empirical study and results; finally, Section 5 highlights key conclusions.

2.-Corporate Social Responsibility (CSR)

2.1.-What is CSR?

Corporate social responsibility (CSR) is not an easy term to pin down, so defining what we mean by it is no small feat. The construct has generated a wide range of theories and different, often controversial, approaches (Garriga and Melé, 2004).

As early as 1953, Bowen (1953) suggested that businessmen were under the obligation to adopt policies, make decisions and follow lines of action in coherence with both company objectives and societal values. In the 1960s, the literature focused on economic, legal and ethical aspects (Carroll, 1979). Today, CSR research aims to clarify and delve deeper into the concept. Most of the definitions we work with in this study reveal the versatile nature of CSR, and place emphasis on the notion that companies must nurture higher sensibility to social concerns.

Clarkson (1995) compiled CSR research published over a 10-year period between 1983 and 1993, and reached the conclusion that consensus does not exist in the literature with respect to the term. Clarkson does make a distinction, however, between *corporate social responsibility* (CSR1) and *capacity of response* (CSR2). It seems logical, therefore, to assert that a line needs to be drawn between business interests and social issues, since companies and their managers must deal with stakeholders as well

as society as a whole. Analysing both business and social outcomes would be another valuable line of research.

Garriga and Melé (2004) try to delimit CSR as mentioned above. The result is one of the most insightful studies on the concept to date. These authors analyse the different theories on CSR and put them into four groups: the *instrumental theories* assume CSR's wealth creation function as the only motive for social responsibility; the *political theories* claim that companies leverage responsibility in order to exert their power; the *integrating theories* argue that companies should meet the demands of society; and finally, the *ethical theories* attempt to explain why the business-society relationship conflicts with ethical values.

In this line of thought, authors like Doh and Guay (2006) define CSR as *all the measures adopted by a company to promote social benefits beyond the direct interests of the company and legal regulations*. More recently, Kolodinsky (2010) defines CSR as *an organisation's ethical duty, beyond legal requirements, to sensitively examine and effectively manage the impact of its internal and external relationships*. The CSR construct also involves relational organizations, since participants, shareholders and employees are interconnected (Kolodinsky, 2010). Those firms which manage to sensitively handle these relationships are more likely to reap the fruits of their CSR effort in terms of competitive advantage, thus ensuring the long-term success of the organization.

Authors like Bartkus and Glassman (2008), or Aguilera et al. (2007), have recommended paying more attention to the needs of other stakeholders such as owners/shareholders, employees or suppliers. This approach has lead many companies to identify a growing interest in the environment, or concern about the social-economic situation of certain population segments or developing countries, for example. Corporate social responsibility attempts to respond to such concerns, to some degree. As Luo and Battacharya (2006) explain, CSR may be understood as *"the recognition and integration of environmental and social concerns into companies' actions, in such a way that their business practices meet such concerns"*. In other words, the creation of value for shareholders and stakeholders involves the creation of value for society. Companies are accountable—not only towards their shareholders—but also towards their employees, suppliers and customers.

Our point of view is that CSR, as a new business philosophy, has the potential to be a relevant source of value and wealth—as well as to boost company negotiation

power over social agents (e.g., better image and positioning) and enhance interdepartmental relationships. Likewise, companies that embrace CSR will do their best to take social demands into consideration; and will find that business benefits and social responsibility are not incompatible.

2.2.-Key drivers for CSR implementation

Since the mid twentieth century, doubts have emerged as to the real reasons behind many organizations' espousal of CSR. One key driver is undoubtedly owner-managers' outlook on such initiatives. Our revision of the literature reveals the existence of two opposing scenarios: in the first, the managerial decision to implement CSR is aimed at promoting more ethical, sustainable and respectful organisational behaviour towards society and the environment. This is the case of a proactive businessperson who voluntarily, selflessly and with deep conviction, seeks the self-realisation of all the company's workers—aware of the fact that their work contributes to society's welfare and helps protect the environment. The other scenario is that of a nearsighted businessperson who adopts CSR merely out of the conviction that it will enhance company image and boost sales figures. Such would be the case of an owner-manager with short-term vision who acts strategically, following the ethics of self-interest (Crane, 2000).

Another key factor facilitating CSR within a company are development strategies aimed at obtaining competitive advantage (Linz, 1996). Black and Härtel (2003) propose that a socially responsible public relations orientation contributes to better marketing campaigns. Generally, as long as the market perceives the behaviour mentioned (unless it is perceived as opportunistic) the literature predicts positive results in terms of brand image, positioning, customer satisfaction, sales figures and market value (Brown & Dacin, 1997; Barens et al., 2005). Devinney (2009) has pointed out that the capacity of companies to recognize market demands facilitates business success:

Companies that work with the most socially acceptable practices will have more satisfied customers, but also more satisfied workers and suppliers who will improve the company's performance, thus producing more satisfied owners. They will be able to obtain benefits for longer and successfully face potential adverse circumstances. (p. 48)

In some cases, firms adopt CSR activities simply because they are backed into a legislative corner (Fraj et al., 2009; Cambra et al., 2008). Finally, another major driver for CSR is the possibility of boosting business performance. Clearly, however, it would

be wise to set sights on more than financial results; naturally, that does not impede companies concerned with economic, social and environmental aspects from seeking other benefits as well (e.g., image and positioning, optimization of processes, stakeholder satisfaction, etc.).

In light of the above, we propose three drivers for implementing CSR activities: owner-manager values, market pressures and the legal framework. In all cases firms can expect positive outcomes. The present study attempts to analyse this framework in the SME context.

3.-Empirical study

This study aims to analyse the drivers of CSR activities and their impact on SME image and positioning. To this end, the following set of starting questions served as a guide for data collection in the form of semi-structured interviews:

- What do SMEs understand by CSR? What are their drivers?
- Which factors affect this decision?
- What are the implications for SMEs?

For the purposes of this study we follow the methodological line proposed by McCutcheon and Meredith (1993) who recommend starting with a very simple initial formulation of the research problem. Only variables with recognized potential, *a priori*, are considered. Initially, our formulation of the problem does not assume any causal relationship but merely acts as a reference guide. We propose i) that factors like company strategy might have an impact on CSR practices, and ii) that CSR has the potential to influence company results.

As for the technical features of the empirical analysis (see Table 1), this study explores the reality of 7 SMEs in different sectors. Initial contact with the selected firms revealed that they exhibited very heterogeneous characteristics in terms of size, sector, geographical region, strategic profile, property structure, internal organization, experience and management training. In the terms proposed by Yin (1994), then, the present paper is a multiple case study; considering several independent cases (versus a single case) makes for stronger conclusions. Having analysed several companies in the same sector (construction/development), among other sectors reinforces our

conclusions. Appendix 2 shows the characteristics of the companies analysed. Their names have been replaced by numbers to guarantee anonymity.

For the most part, the data collection method of choice was the semi-structured interview with managers—so that the dynamic character of fit processes could be analysed. The questions cited above served as a guideline. The interviews took place between May, 2006 and March, 2007. Conclusions were confirmed early in 2010, adding a longitudinal dimension to the study. Interviews were recorded and transcribed for further analysis. A research roadmap was created and data were triangulated, following all of Yin’s (1994) recommendations to guarantee the reliability, validity and objectivity of the study.

“Insert Table 1: Fieldwork-technical data, about here”

The information was analysed using QSR NVivo software, recommended for qualitative data analysis. It is worth noting here that the software does not replace the researcher when it comes to analysis; it is, however, an essential tool for storing, managing, encoding (and re-coding), organising and recovering information (Maclaran and Catterall, 2002). Additionally, a preliminary report was written up and sent out to interviewees to verify whether conclusions were in line with interviewee opinions. Interviewer-interviewee interaction of this sort—following the interviews and before the final report—has been defended in the literature by authors like Miles and Huberman (1994) and Yin (1994) as an effective strategy for reducing potential subjectivity and researcher bias.

4.-Results

The initial questions mentioned above serve as a guide for analysis. In addition, results are complemented by a review of the literature, helping to define the variables derived from the research. These variables should be interpreted in a case study context. The entire research team was responsible for database management and analysis.

Appendix 1 displays a summary of the information coding process. We differentiate here between *theoretical variables* (T)—defined prior to bibliography-based data analysis—and *induced variables* (I)—defined by the research team during the coding process. This section reproduces some of the most relevant verbatim excerpts from the interviews that serve as the bedrock for this study.

Our data suggest that companies are increasingly concerned about CSR. Competitive and market forces drive companies to find ways to stand out with respect to consumer needs. The data obtained also indicate two distinct behaviour profiles for companies: *proactive* and *reactive*. Statements like the ones below support this idea:

-“We enjoy helping children to do sports... soccer, basketball and other team sports... we also have a specific programme for young athletes... we feel we are responsible for them in some way... children are the future of our society. Of course we would like our potential customers to know this, but we are sure that the money we spend is higher than the impact we get. If we spent that amount of money on advertising our firm would get more exposure, but we feel we owe society something.” (Company 1)

-“Of course we feel responsible towards society, we always have... our firm is well positioned not only because we offer quality construction, design, price and guarantees but also because of our company image among consumers. Everybody knows we invest a percentage of our profits in development and cooperation programmes worldwide... we’ve been doing this for years, this is not just a last-minute strategy to give the impression that we are in line with societal values. So yes, we are probably in a better position than those who have only recently jumped on the bandwagon and decided to build a responsible image.” (Company 3)

-“We are so small, we don’t have the resources to do much... in our city people enjoy playing soccer and ice-hockey, so we decided to donate to both the local championship and the hockey team. This is our way of saying, ‘Hi, we are here and we are aware of your desires, needs and concerns!’” (Company 4)

-“If the market wants social commitment we’ll have to deliver social commitment. We can get behind different campaigns but what we really need to do is communicate with potential consumers. I do not want to work against market trends... this is what my father and my grandfather taught me. The only problem is the market does not react immediately.” (Company 5)

Thus, Companies 1, 3, 4, 6 and 7 would correspond to a proactive profile; Companies 2 and 5, on the other hand, display a more reactive behaviour pattern. Firms in the latter group admit that they have only recently started to tackle CSR—when sales have slumped.

As for the group of proactive companies, it is striking to see how closely linked CSR decisions are to owner-manager value structures:

“I believe in CSR... that we owe something to society and to future generations. So since the foundation of the firm three years ago I’ve been sure that implementing CSR activities was necessary. I also knew that CSR was a hot concept... investors did not demand it but as a CEO I’d talk to them about CSR’s potential. As a result, we began working with local representatives as well as with a number of environmental associations... and our strategy has been highly valued.” (Company 7)

“We don’t have many laws imposing socially responsible behaviour... but we have always been active in this regard. I trust people and we get things from society, so we have certain obligations... and CSR is one of the tools we have to say thanks and show gratitude...” (Company 6)

“The way I see it, we must act responsibly towards people... towards our society... at the end of the day we only have one planet. But if nobody takes notice—and I’m talking about my reference market—if nobody values my effort, why should I invest in environmentally friendly systems? Only a few of my competitors do, anyway. So I’m often at odds with myself... I want to do one thing but have to do the opposite. That’s why I love laws... if I had to follow the rules and my competitors had to follow the same laws, my competitive position would be similar to theirs.” (Company 5)

This last statement proves to be extremely relevant: in cases where neither the market nor business values are enough to drive companies to embrace CSR—and where the externalities generated may be harmful for society—a suitable legal framework will be necessary. This idea is also evident in Company 5:

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“Our firm has, and always will be, firmly committed to complying with the legislation.” (Company 5)

Yet another key aim of our study was to unveil market response to company actions. The data suggest that, on the whole, the market reports a positive assessment of CSR actions—except in the case of reactive companies, which are sometimes seen as opportunist and penalised. This fact was evident in the interviews:

- “Sales have slowed, and if we want to sell at all we have to deliver exactly what customers are looking for. Now more than ever we need to be market oriented and sensitive to customer preferences... this approach is not only a must if profit is to be made, but if we are to survive at all... and these preferences are not only product related but involve social aspects as well, such as sponsoring cultural or sports initiatives, environmental and development programmes, etc.. So we have recently decided to donate some money to cultural activities, and of course we want the market to know this... but we are not sure if we are reaching this objective. Maybe more time is needed...”
(Company 2)

It seems clear, then, that the major drivers of CSR for companies are owner-manager values, market tendencies and, occasionally, regulations.

5.-Discussion and conclusions

The abundance of literature on CSR-related themes reveals the intrinsic interest this business philosophy has due to its topicality and impact on companies in general, and SMEs in particular. To date, however, most studies have focused their attention on large firms rather than on the specificities of SMEs. In times like these, with companies facing an increasingly competitive, demanding market—aggravated by fallout from the international financial crisis—many have seen in CSR the potential to differentiate their product, stay afloat, or even invigorate their business.

With regard to CSR drivers, we propose that management values, market forces and laws are key motivators. Without exception, managers aim to build a positive image and better positioning. SMEs may see CSR as a powerful tool for developing positive

public relations and an enhanced brand image with fewer resources than are required by extensive communication campaigns.

Proactive companies tend to outdo the competition when it comes to designing processes and strategies that take social and environmental demands into account. Such firms typically obtain managerial support for developing social and environmental initiatives, making environmental management a priority, spreading information on these issues, both internally and externally, and promoting awareness programmes and environmental training. More reactive companies, on the other hand,—with a short-term sales vision—tend to get little or no support from management on social issues; and if they ever do, it is out of sheer opportunism. The cases reported in this study would belong to both extremes. SME owner-managers, therefore, should reflect on their company profile and keep in mind that CSR does not always result in positive outcomes. Proactivity and consistency are key factors in the quest for positive results; the other side of the coin is that stakeholders (e.g. consumers) may penalize reactivity and opportunistic behaviours.

We have also observed that proactive SMEs aim to anticipate potential changes in their environment. Thus, such firms are prone to pioneer the application of ISO norms and standards, the creation of sustainability reports following Global Reporting Initiative (GRI) guidelines, run for prizes recognizing social and environmental best practices, etc.—and, therefore, enhance their company image and market positioning.

If proactivity, then, is linked to a long-term vision, in most cases managerial commitment to societal issues has a positive impact on training practices; employees undergo more careful, constant training which reinforces the firm competitive positioning as well.

Peattie and Crane (2005) insist that companies can count on CSR strategies being successful only when: i) they are market, not sales-oriented; ii) they consider all company departments when working to change organisational culture; iii) they set a long-term horizon to obtain benefits and/or competitive advantage; and iv) when innovation and business imagination prevail over a quest for fast, ephemeral profit. Our results for SMEs, therefore, are in line with the literature.

This study has revealed a growing concern for corporate social responsibility among small and medium enterprises. Some managers think that CSR activities drive differentiation and greater consideration for competitors and customers. In such a context, it is essential for companies to be market-oriented, as this will equip them to

meet the challenge of constantly adapting to ongoing social, economic, technological and legislative changes that may occur.

Despite the relevance of our conclusions and the richness of implications for SME management, the following limitations are worthy of mention:

-The study is based, principally, on personal opinions as expressed in interviews. Hence, bias may occur both as a result of the particular image key informants wish to portray and due to inevitable idiosyncrasies in individual perceptions of the concepts we analyse.

-The study is subject to the inherent limitations of case study research. One should exercise caution, therefore, when attempting to extrapolate conclusions as similarities and differences in economic and business environments must be thoroughly assessed before any kind of analytical generalization can be carried out. The nature of the case studies analyzed (intra-industry) also guarantees the reliability and significance of the results, while our longitudinal approach increases the interest and relevance of the findings.

Proposals for future lines of research include broadening the scope of study to include different sectors and cultural/geographical contexts; the objective here being to enrich findings and broaden the scope by including new factors in the discussion. Analysing a more heterogeneous sample population comprised of companies categorized by sector, size and country would help to determine the potential significance of ideas derived from our research. Studies which compare big firms with SMEs would also be of interest in order to test the relevance of values.

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Appendix 1: Summary of the coding process ¹

DIMENSION	VARIABLE	DEFINITION	NATURE
MARKET-INDUSTRY	COMPETITIVE PRESSURE	Industry's competitive situation, offer-demand relationship, no. of competitors, alternatives for consumers	THEORETICAL
COMPANY CHARACTER	OWNERS'/MANAGERS' ETHICAL PATTERN: VALUES	Beliefs and values system of people responsible	INDUCED
	MANAGEMENT TRAINING	Training level, differentiating between basic, intermediate, superior + general or specific	INDUCED
	BEHAVIOUR PROFILE	<u>Proactive</u> : anticipation <u>Reactive</u> : reaction	INDUCED
LEGAL ASPECTS	REGULATIONS	Set of rules related to the product's characteristics, industry, manufacturing process...	THEORETICAL
RESULTS	OBJECTIVE	Benefits, market share	THEORETICAL
	SUBJECTIVE	Survival likelihood, customer's perceived satisfaction	INDUCED

¹ The variables included in this table are those directly related to the article's theme. These variables may be globally considered as theoretical variables, if researchers in further studies so decide.

Appendix 2: Characteristics of the firms included in the multi-case study²

Company	Industry	N° of employees	Volume of business (millions of euros)	Geographical Markets	Profile ²	Social marketing campaigns?
1	Real State	50	52	Spain (Madrid, Zaragoza and Mediterranean coast)	Proactive	YES (sport sponsorship)
2	Real State	8	4	Spain (Zaragoza)	Reactive	NO
3	Real State	n.a.	751	Spain, Portugal and Poland	Proactive	YES (development programs sponsorship in India and El Salvador)
4	Real State	29	7	Spain (Aragón, Pyrenees area)	Proactive	YES (sport sponsorship)
5	Chemical	13	4,5	Spain (Aragón, Madrid, Cataluña), France, Italy, Portugal, Marocco	Reactive	NO
6	Services	19	7	Spain	Proactive	YES (sport sponsorship)
7	Winery	9	3	Spain (80%), international markets (15%: UK, Switzerland, mainly)	Proactive	YES (local programs of cooperation)

² Source: firms.

Table 1: Fieldwork-technical data

UNIVERSE: Spanish SMEs
SAMPLE: Seven independent firms
AVERAGE NUMBER OF EMPLOYEES: 21 (plus subcontracting / temporary jobs)
SECTORS: Real estate, chemistry, food & agriculture, services
MARKETS: regional, national, international (in some cases)
AVERAGE SALES FIGURES: not available (information withheld by companies)
SOURCES OF INFORMATION:
<u>Primary:</u> observation, in-depth interviews, internal documents, informal visits
<u>Secondary:</u> bibliographic review, reports from institutions, press releases, internet sites
KEY INFORMANTS: 7
DATES: May, 2006–March, 2007 (1st stage); January-February, 2010 (2 nd stage)
DATA ANALYSIS: QSR NVivo Demo software