SMES' reluctance to embrace corporate sustainability: The effect of stakeholder pressure on self-determination and the role of social proximity

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A B S T R A C T

Small and medium-sized enterprises (SMEs) are said to engage significantly less with corporate sustainability (CS) than their larger peers, because they are more reluctant to voluntarily engage in CS beyond regulatory thresholds. However, the mechanisms for changing the reluctance of SMEs with regard to CS are poorly understood. By drawing on self-determination and stakeholder theory from a social proximity perspective, this paper argues that stakeholders play a key role in influencing the controlled CS motivation of SMEs, and that SMEs will consider the claims of 'proximate' stakeholders as being more salient than 'distant' regulatory pressure, with the latter even potentially exercising a negative effect on SMEs' controlled CS motivation. The hypotheses are empirically tested using survey-based data from a sample of 344 privately-held SMEs operating in Germany and Austria. Results of the structural equation model confirm that 'proximate' employee and community pressure reduces controlled CS motivation and ultimately increases overall CS performance, whilst 'distant' regulatory pressure has precisely the opposite effect, ultimately reducing the CS performance of SMEs. These findings help to clarify that the close attachment of SMEs to their employees, and their deep embeddedness in the local community might be important catalysts with regard to CS improvements of SMEs, whilst regulatory pressure reduces their willingness to engage in CS, since this is often perceived as an unfair, demotivating, external imperative, which compromises their self-determination. Lastly, theoretical and managerial implications are provided.

1. Introduction

Small and medium-sized enterprises (SMEs) are said to exhibit significantly lower corporate sustainability (CS) performance than large firms (Revell and Blackburn, 2007; Williamson et al., 2006), because they are more reluctant to engage in CS measures such as cleaner production (Bradford and Fraser, 2008; Nunes et al., 2019). This reluctance on the part of SMEs is problematic and a challenge to the global sustainability agenda (Williamson et al., 2006), given the sheer number of SMEs, and their economic importance, as well as their significant cumulative contribution to global pollution and social misconduct. SMEs are the backbone of the global economy, making up 99% of all firms, between 50% and 60% of value added, and two-thirds of employment across the OECD (OECD, 2019). At the same time, SMEs are estimated to account for around 60% of carbon dioxide emissions (Marshall, 1998), and 60%–70% of global industrial pollution (Calogirou et al., 2010) as

well as contributing to social and ethical malpractice (Fernández and Camacho, 2016; Turyakira, 2018). Previous research has discovered several potential reasons for SME's reluctance with regard to CS, such as the widespread belief that environmental and social problems are global issues and beyond the responsibility of smaller firms (Brammer et al., 2012; Gadenne et al., 2009), the resource, knowledge and technical constraints of SMEs (Nunes et al., 2019), or the failure of SMEs to recognize any long-term economic benefits of CS (Parker et al., 2009). Currently, research is therefore exploring how to convince SMEs to make voluntary CS improvements, beyond regulatory levels, to drive cleaner production and social change (Cantele and Zardini, 2020).

A key factor that has not yet been discussed in this context may be identified in the underlying motivational structure of SMEs. On a generic level, self-determination theory accounts for the emergence of this reluctance and studies this phenomenon as 'controlled motivation' (Deci and Ryan, 1985). 'Controlled motivation' may be defined as

goal-directed activities that are not self-determined, so that decision-makers feel pressured to undertake them (Ryan and Deci, 2000). When an organisation is subject to controlled motivation, its behaviour is driven by a sense of pressure from internal or external stakeholders, such as threats of punishment from regulators (Gagné, 2009). Extant literature has shown that controlled motivation results in detrimental organisational behaviours such as reduced sharing of knowledge (Minbaeva and Santangelo, 2018), or lower levels of innovation (Debrulle et al., 2020). In contrast, autonomous motivation characterizes an intrinsic desire to act, irrespective of any stakeholder influence, because it is personally valuable or inherently rewarding, resulting in positive behaviours like change commitment (Shin and Jung, 2021), or work initiatives and the resulting revenue generation (Grant et al., 2011).

Translated into CS motivation, firms that exhibit controlled motivation with regard to CS perceive their function as providing goods and services, leading to the maximization of profit within the 'rules of the game', and are unwilling to engage in CS beyond regulatory levels (Déniz-Déniz and Cabrera-Suárez, 2005). Although previous research suggests that SMEs' reluctance is an important barrier to their CS performance (Bradford and Fraser, 2008; Nunes et al., 2019), there is regrettably no extant research which has investigated the connection between controlled CS motivation and CS performance. Thus far, research has primarily focused on enabling factors, not deterrents (Cantele and Zardini, 2020), and has neglected the role of motivation as a missing link that might explain how stakeholder pressures influence the CS performance of SMEs (Graafland and Bovenberg, 2020; Yin et al., 2021). For this reason, this paper poses the following research question:

RQ1. Does an SME's controlled CS motivation have an influence on its CS performance.

A second question left open by the literature is whether (and, if so, which) stakeholder groups have the capacity to influence controlled CS motivation and hence improve, or inhibit, SMEs' CS performance. Stakeholder research suggests that stakeholders play an important role with regard to CS, exerting increasing pressure on firms to engage in CS, and having the power to influence firms' CS motivation and behaviour (Darnall et al., 2010; Shahzad et al., 2020). Different stakeholders have been found to influence the CS performance of SMEs, such as employees (Aboelmaged, 2018), the local community (Fisher et al., 2009), customers (Perez-Sanchez et al., 2003), or the supply chain (Baden et al., 2009), but with mixed and partly contradictory results overall. Little is known about which stakeholder groups have the most salient claims from the point-of-view of SMEs, or the underlying mechanisms of how those stakeholders influence CS decision-making (Helmig et al., 2016; Weitzner and Deutsch, 2015). For example, whilst some studies demonstrate that regulatory pressure increases CS performance (Bradford and Fraser, 2008), other studies find that regulatory pressure leads to minimal compliance with CS legislation and can even be counter-productive in terms of overall CS performance (Graafland and Bovenberg, 2020). Despite considerable exploration of this paradox, the question of how SMEs respond to different stakeholders remains unresolved and requires further consideration (Cantele and Zardini, 2020; Mallett et al., 2019). In many cases, conventional stakeholder salience theory seems to fail in the SME arena with regard to CS, which calls for an extension of the theory (Lähdesmäki et al., 2019; Sen and Cowley, 2013).

Recent research has introduced a new argument, proposing that social proximity is likely to be a critical driver of stakeholder salience in the SME context (Lähdesmäki et al., 2019; Magrizos et al., 2021), because, in contrast to large firms, SMEs are strongly influenced by feelings of social cohesion with their proximate stakeholders (Lähdesmäki et al., 2019; Spence, 2016). Although identifying salient stakeholders is of crucial importance and proximity could be key to understanding salience in the case of SMEs and CS, the social proximity perspective is not yet fully accounted for nor empirically validated in

stakeholder salience research (Sen and Cowley, 2013; Spence, 2016). Given this, and the previously outlined research gap, whereby controlled CS motivation is neglected as a key explanatory factor in understanding SME responses to stakeholder claims, this study aims to assess which stakeholder groups have the capacity to improve SMEs' CS motivation and, in turn, their CS performance, by considering stakeholders' social proximity to the SME and their influence on SMEs' perceived self-determination.

RQ2. Which stakeholder groups weaken the controlled CS motivation of an SME through their pressure and which stakeholder groups reinforce it?

By using a unique sample of 344 privately-held SMEs operating in Germany and Austria, this study empirically validates the social proximity perspective and introduces the concept of self-determination into the discussion about salience. The originality of this study resides in the combination of different theoretical approaches from stakeholder and self-determination theory, so as to address the shortcomings of conventional stakeholder salience theory in the case of CS in SMEs (Cantele and Zardini, 2020; Mallett et al., 2019). Past research has, for the most part, studied the direct effect of stakeholder pressure on CS performance, without considering how pressure from different stakeholder groups affects the controlled CS motivation of SMEs and, in turn, their CS performance (Graafland and Bovenberg, 2020). This could explain the inconclusive and sometimes contradictory results which attest to both positive and negative effects of, for example, regulatory pressure on CS performance (Mallett et al., 2019; Williamson et al., 2006). By adopting a more nuanced view of stakeholder salience in the case of SMEs and considering proximity and self-determination, this paper expands stakeholder salience theory and helps to deepen the understanding of which stakeholders are able to drive cleaner production and social change in SMEs.

The paper is structured as follows: firstly, in the section below, the research hypotheses regarding the relationship between stakeholder pressure, controlled CS motivation and CS performance in SMEs are developed. Section 3 then describes the methodology, including the sample, measures, and data analysis procedure applied. Subsequently, section 4 reports the results of the structural equation model, which are then discussed in section 5, together with the theoretical and managerial implications and limitations of the research.

2. Conceptual framework and hypotheses

2.1. Conceptual framework

The conceptual framework of this study investigates whether SMEs' controlled CS motivation is a barrier to CS performance (RQ1), which stakeholder groups weaken the controlled CS motivation of an SME through their pressure, and which stakeholder groups reinforce it (RQ2) (see also Fig. 1). To this end, this section outlines the underlying management theories which are combined to address the research questions and advance the theory of CS in SMEs.

To answer RQ1, the conceptual framework draws on one of the most influential theories in the motivation psychology domain, the self-determination theory, which explains what motivates individual decision-makers, as well as business organisations, to act (Rupp et al., 2011; Ryan and Deci, 2000). According to self-determination theory, a distinction can be made between autonomous and controlled motivation (Deci and Ryan, 1985). In the context of CS, autonomous motivation characterizes an intrinsic desire to engage in CS, because it is personally valuable or inherently rewarding, which leads to higher effort and quality of decisions. In contrast, controlled CS motivation describes a reluctance towards CS, which would only be embraced where pressure existed from external or internal stakeholders, so as to avoid punishment or guilt (Ryan and Deci, 2000). In the case of SMEs, this controlled CS motivation leads to a low internalization of CS, since they feel less
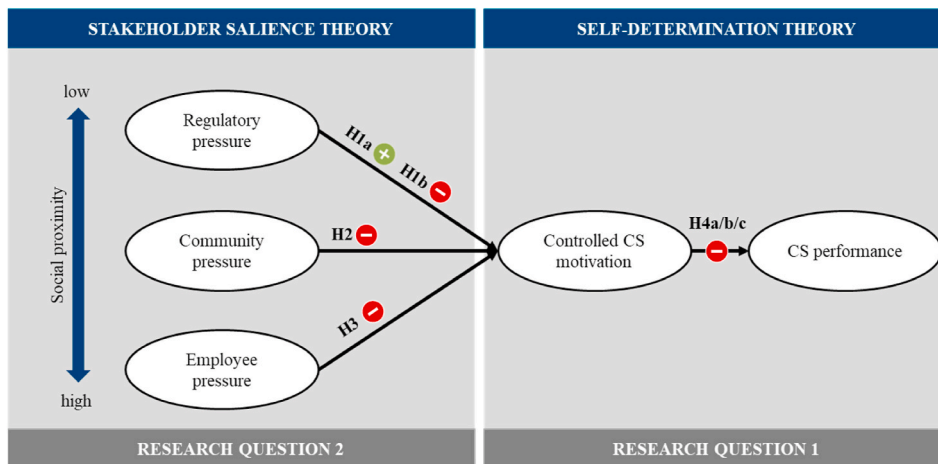
Fig. 1. Conceptual framework and hypothesized relationships

Hypothesized relationships of the proposed model with 'regulatory pressure', 'community pressure' and 'employee pressure' as the independent variables, 'controlled corporate sustainability (CS) motivation' as the mediator and 'corporate sustainability (CS) performance' as the dependent variable. As illustrated, the proposed model is based on stakeholder salience theory and self-determination theory.

self-determination and freedom in CS decision-making (Graafland and Bovenberg, 2020; Ryan and Deci, 2000). By answering RQ1, the conceptual framework addresses the lack of consideration of motivation and self-determination theory, which comprises a significant research gap in CS (Graafland and Bovenberg, 2020; Yin et al., 2021) and investigates whether controlled CS motivation actually reduces the CS performance of SMEs.

Since the willingness of SMEs to engage in CS depends on the extent to which CS decisions are self-determined or enforced by pressure from internal or external stakeholders, that stakeholder pressure is likely to influence the adoption of a controlled CS motivation. However, little is known about which stakeholder groups have the most salient claims from the point-of-view of SMEs (Helmig et al., 2016; Weitzner and Deutsch, 2015) and contradictory findings exist with regard to stakeholder influences on CS performance (Mallett et al., 2019; Williamson et al., 2006). To this end, stakeholder salience theory is employed to answer RQ2. SMEs are surrounded by different stakeholders that exert increasing CS pressure upon them (Aguilera et al., 2007; Fassin, 2008); if this is ignored, damage may be done to the stakeholder relationship, negatively affecting firm performance (Buysse and Verbeke, 2003). Stakeholders are groups or individuals who can affect or are affected by the achievement of the firm's objective (Freeman, 1984: 46) and who embody two essential attributes: a moral, legal, or presumed claim, as well as the power to influence the behaviour, processes, or outcomes of the firm (Mitchell et al., 1997). How firms react to different stakeholder claims depends on the importance managers attach to the specific stakeholder group, also known as 'stakeholder salience' – that is, the more salient a stakeholder's claim, the more likely it is that the firm will respond positively to the stakeholder's inquiry (Eesley and Lenox, 2006; Mitchell et al., 1997). Claims that are less salient than others may increase SMEs' controlled CS motivation, whilst simultaneously reducing their self-determination.

In a recent publication, Lähdesmäki et al. (2019) introduced social proximity as a critical driver of stakeholder salience in the context of SMEs. Here, social proximity refers to the perception of affective relationships, emotional closeness, and personal obligation among members of the same social network, which arises from group identification (Huber, 2012; Lähdesmäki et al., 2019). Whereas large firms tend rather to focus on powerful stakeholders such as the government, SMEs are influenced by feelings of social propinquity with their proximate stakeholders (Lähdesmäki et al., 2019; Spence, 2016); that is, the local community and their employees. In contrast, the relationship between SMEs and regulatory stakeholders can be characterized as relatively socially distant, because SME owner-managers rarely meet governmental or other public bodies, which is why they base their judgement of regulatory CS claims on general principles rather than relational attributes (Courrent and Gundolf, 2009). Based on the social proximity

argument, the conceptual framework of this study analyses the influence of 'distant' regulatory stakeholders and socially very 'proximate' employees and the local community on SMEs' controlled CS motivation and, ultimately, their CS performance. In the following section, hypotheses are developed and the social proximity perspective empirically tested.

2.2. Development of hypotheses

2.2.1. The influence of regulatory pressure on controlled CS motivation

On the one hand, regulatory pressure is likely to promote controlled CS motivation among SMEs, contrary to the original intentions of regulatory stakeholders. SMEs are subject to pressure from different regulatory authorities, which may establish rules or industry standards that become binding for SMEs, such as environmental legislation for cleaner production (Henriques and Sadorsky, 1999; Mallett et al., 2019). Because regulatory stakeholders often neglect the views of SMEs when drawing up CS legislation, SMEs tend to find these guidelines impractical to implement, a drain on their resources (Fassin, 2008; Hillary, 2004), inappropriate in their imperative tone (Wilkinson et al., 2007), and unfair, since many SMEs believe society is best served by focusing on profitable growth (Cantele and Zardini, 2020; Déniz-Déniz and Cabrera-Suárez, 2005). The resentment at perceived unfair treatment is likely to reinforce their controlled CS motivation to not voluntarily engage in CS. Therefore, CS legislation continues to be one of the main reasons for SMEs remaining reluctant to embrace CS, and why SMEs perceive CS issues as a threat, rather than as an opportunity (Brammer et al., 2012; Fassin, 2008).

Several studies have shown that regulation influences cognitive processes in SMEs, leading to proposals that merely conform to the standard, rather than being superior to it (Graafland and Bovenberg, 2020; Tenbrunsel et al., 2000). In their study on the impact of environmental regulation on SMEs' activities in the printing sector in the United Kingdom, Patton and Worthington (2003) found that the firms studied adopted a defensive and reactive stance in response to regulatory pressure, and largely designed their environmental actions so as to achieve compliance, rather than being driven by economic or normative motivations. Williamson et al. (2006) empirically studied the environmental practices of 31 manufacturing SMEs in the United Kingdom. The authors found that these SMEs perceived CS as an optional and costly 'extra'. In order to avoid legal sanctions, however, the SMEs responded to regulatory pressure by attempting minimum compliance with regulatory thresholds regarding CS, rather than exceeding them. Based on a study of the environmental performance of 2373 SMEs across twelve European countries, Graafland and Bovenberg (2020) found that regulatory pressure interferes directly in the firm's operations. This pressure is perceived by owner-managers as governmental lack of trust in their

willingness to voluntarily engage in environmental initiatives. As a result, these owner-managers choose to behave in a manner that is self-interested and self-serving, rather than working to protect the public good, in order to avoid regulatory pressure; regulatory pressure thus reduces any positive feelings engendered from engagement with CS. In this sense, SMEs might perceive regulatory pressure as an unnecessary external fillip, which transforms their genuine CS engagement and values into an institutional 'script', changing their identity and compromising their authenticity and self-determination (Morsing and Spence, 2019). This study hypothesizes:

Hypothesis 1a. Regulatory pressure is positively related to controlled CS motivation.

On the other hand, many scholars consider regulatory pressure to be one of the primary drivers of CS (Lynch-Wood and Williamson, 2014; Mallett et al., 2019). They argue that SMEs often need a stimulus to reduce their CS reluctance and an impetus to encourage them to see that CS can be advantageous for them (Bradford and Fraser, 2008). Evidence comes from several studies. Graafland and Bovenberg (2020), who found that government regulations increased the CS motivation of SMEs with low environmental performance, suspect that such regulations taught SME managers that CS improvements could also bring economic benefits. Similarly, Gadenne et al. (2009) found that legislation increased the willingness of Australian SME owner-managers to green their business processes, because it raised their environmental awareness. In the same vein, and based on 60 semi-structured interviews with SMEs in the United Kingdom, Tilley (2000) found that owner-managers viewed legislation as a valuable code of conduct, providing clear guidance as to what firms should do in terms of CS, which suggests that regulatory pressure might be a necessary and valuable stimulus for reducing SMEs' controlled CS motivation.

Interestingly, many SMEs themselves call for stricter regulatory standards. Revell and Blackburn (2007) in-depth interviews with 52 SMEs in the construction and restaurant sectors in the United Kingdom demonstrated that owner-managers perceived regulatory pressure as the best way to stimulate SMEs' orientation towards CS. Bradford and Fraser (2008) conducted a survey among 55 SMEs in Northern England and found that regulation and incentive programs from local government appeared to encourage the adoption of CS measures more effectively than self-regulation by the firms themselves. 46% of respondents went so far as to support mandatory regulation with verifiable targets over incentive programs. In their study on the impact of individual attitudes towards the environmental compliance of SMEs in the United Kingdom, Petts et al. (1999) discovered that 54% of respondents were in favour of stronger environmental regulation, and 70% considered the penalties as too low, because the vast majority of SMEs (69%) believed that the regulatory framework did not currently provide fair competitive conditions, either geographically or industry-wise. This indicates that SMEs might expect the government to set the 'rules of the game' so as to ensure a 'level playing field', and protect them against 'free riders', who could gain competitive advantages by not investing in costly CS measures (Hillary, 2017; Revell and Blackburn, 2007). Regulatory influence can thus provide a clear signal for appropriate CS behaviour to SMEs (Bowles and Polanía-Reyes, 2012). This paper hypothesizes:

Hypothesis 1b. Regulatory pressure is negatively related to controlled CS motivation.

2.2.2. The influence of community pressure on controlled CS motivation

Community stakeholders in general include local community groups, local media, and other potential lobby groups or non-governmental organisations in the region. They can influence society's perception of a firm's CS engagement, either favourably, or to its disadvantage, especially in the event of ecological or social misconduct (Lähdesmäki and Suutari, 2012; Russo and Perrini, 2010). Local community groups in particular have a strong interest in cleaner production in their region and frequently call on unsustainable firms to reduce their environmental footprint, since any misconduct can have far-reaching impacts on the community, such as air or water quality, and noise (Shnayder et al., 2016).

Local community stakeholders can exert substantial influence on the CS motivation of SMEs through their claims (Rhee et al., 2021). This is firstly because firms generally seek to avoid the negative publicity that results from having a reputation of not being sufficiently 'green' (Bianchi and Noci, 1998; Henriques and Sadorsky, 1999). Secondly, SMEs are reputed to be rather sensitive to the demands of their local communities, because of their social proximity and embeddedness (Fassin et al., 2015; Heider et al., 2021). In SMEs, staff and management are often resident in the community and closely attached to local community stakeholders (Lähdesmäki et al., 2019; Madden et al., 2006). Similarly, owner-managers often express a strong commitment to the development of the region, sponsor local sports clubs or charities (Uhlaner et al., 2004), and frequently cultivate a positive personal reputation within the local media (Lähdesmäki and Suutari, 2012).

This social proximity generates occasions for personal contact, which increases mutual trust and creates stronger social ties, but also strengthens local monitoring and sanctioning of social or environmental misconduct (Lähdesmäki et al., 2019; Longenecker et al., 2006). Lähdesmäki and Suutari (2012), based on 25 thematic interviews with Finnish SME owner-managers, found that social proximity positively influenced the CS motivation of the SMEs observed, because it stimulated reciprocated interaction processes between the firm and the local community. These strong social ties make a community buy-in to the SME's strategy essential to the SME's success. A study by Colovic et al. (2019) found that Lithuanian and French SMEs in the food sector engaged in CS and actively participated in community life because they perceived acceptance by the local community as being crucial to them. Similarly, in their study of 81 Chinese SMEs, Zhang et al. (2009) found that lack of community demand was one of the most salient reasons as to why SMEs did not engage in environmental management. The importance of community acceptance for SMEs, and the power those communities have to change the CS attitude of SMEs due to their close social ties, is also evident in Fisher et al. (2009) single case study of a Canadian SME producing natural gas. Here, the focal firm experienced increasingly intense community demand for transparency, as well as information about the risks and consequences of their gas development program. Due to its small size, the firm was able to engage in an authentic dialogue with local landowners, developed high accountability for their concerns, launched programs aimed at local community education and identified the best social and economic location options for both firm and landowners.

This indicates that SMEs are not only sensitive to the demands of the community, but also consider their claims to be salient, which causes them to reduce their reluctance with regard to CS, because they do not fear a loss of identity or self-determination if they follow the community's claims. On the contrary: SMEs might begin to perceive the benefits of attending to the community's claims, such as improved reputation, strengthened relationships, or risk reduction. Supporting evidence comes from Madden et al. (2006), who qualitatively investigated the CS engagement of 52 SMEs across Australia, discovering that many SMEs engaged with the community, because it benefited their firm in terms of increased sales and improved employee satisfaction. Expecting business benefits from their community engagement was the second most frequently mentioned CS motivation of SMEs, surpassed only by their deep conviction that they should support the community as a good corporate citizen (Madden et al., 2006).

SMEs depend on their strong regional relationships and cannot afford to ignore the CS claims of their direct environment, since, compared to large firms, they receive negative feedback more immediately, but are less powerful in terms of managing the situation (Chrisman and Archer, 1984; Hammann et al., 2009), meaning that community approval is vital for their economic success (Park and Campbell, 2018; Perrini, 2006). Because SMEs tend to integrate the expectations and behaviour of the

local community into their strategic considerations (Perrini, 2006), this paper hypothesizes:

Hypothesis 2. Community pressure is negatively related to controlled CS motivation.

2.2.3. The influence of employee pressure on controlled CS motivation

In general, CS activities are closely monitored by a company's employees (Helmig et al., 2016), who value social and environmental commitment on the part of their employer, and who might succeed in obtaining better working conditions for themselves (Laguir et al., 2016; Masurel, 2007). Employees can be considered to be the stakeholder group with the highest social proximity to the SME outside the owner family, since SMEs are generally closely attached to their workforce, nurture personal, reciprocal relationships, and value a harmonious and caring 'family' working atmosphere (Wilkinson, 1999). Research has discovered that owner-managers in particular often maintain friendships with employees, or are at least familiar with their personal circumstances (Lähdesmäki et al., 2019); indeed, they often consider employees to be an extension of their family, and feel a responsibility towards them (Colovic et al., 2019; Jamali et al., 2009).

Since SMEs generally consider employee satisfaction to be at the core of their business operations (Jamali et al., 2009), they can be expected to be particularly sensitive to employee demands regarding CS (Fassin, 2008) and to attempt to deduce from these which aspects of CS are important (Graafland et al., 2003). Madden et al. (2006) qualitatively investigated the CS engagement of Australian SMEs and found that concern for employees was a key priority for the 52 SMEs in the sample, which attempted to design their CS activities in accordance with their employees' priorities, so as to both respond to their claims, and benefit from their engagement. Due to the smaller scale of operations and workforce size, SMEs have fewer formal lines of communication, when compared to their large firm counterparts, and can directly sense potential CS concerns (Darnall et al., 2010). Courrent and Gundolf (2009) found that this high social proximity created a 'community of ethics' among French micro-enterprise owner-managers and employees which positively influenced their ethics in management decisions, with 56% of managers averring a belief that they should act as their employees would. Aside from their care for their employees, SME owner-managers are dependent on the productivity of their workforce and fear potential negative performance implications if employee claims are denied (Ruffo et al., 2020).

The general positive influence of employee pressure on SMEs' CS behaviour is confirmed by several studies (Madsen and Ulhøi, 2015; Magrizos et al., 2021). In their longitudinal research project on Danish SMEs, Madsen and Ulhøi (2015) found that employees were among the most significant drivers of CS change. Similarly, Zhang et al. (2009) found that a lack of employee demand was the most important barrier to Chinese SMEs engaging in environmental management. Similarly, close interaction with employees may result in SMEs recognizing that responding to their demands may bring certain benefits to the firm, such as organisational identification and commitment (El Akremi et al., 2018), recruitment and retention (Ronda et al., 2020) and through this, improved firm performance (Hammann et al., 2009), which likely reduces SMEs' controlled CS motivation. In his descriptive paper on the reasons for the environmental engagement of 57 Dutch SMEs in the printing sector, Masurel (2007) expounds that increasing employee motivation through improved working conditions was the most important reason for those firms engaging in environmental activities.

The close social bonds based on mutual trust that exist within SMEs apparently ensure that the CS stimulus from employees is not perceived as being deleterious to their authenticity or self-determination. SMEs tend to directly perceive and address the CS concerns of their employees, since they value a caring working atmosphere, and might expect positive performance implications, as well as feeling responsible for their employees, all of which likely positively affects their CS motivation (Ernst

et al., 2021). This study hypothesizes:

Hypothesis 3. Employee pressure is negatively related to controlled CS motivation.

2.2.4. Controlled CS motivation as a mediator between stakeholder pressure and CS performance

We argue that controlled CS motivation is a key mediator that explains how stakeholder pressures, from regulatory bodies, employees, and the local community, indirectly affect CS performance. Owner-managers usually have the power to implement the firm's CS motivation immediately, by directly mandating a firm-level CS strategy, appointing managers who are supportive of the firm's CS motivation or taking relevant positions themselves (Lähdesmäki et al., 2019; Pagano and Roell, 1998). SMEs with a controlled CS motivation follow Milton Friedman's neoclassical view: that is, that the only responsibility of firms is maximization of profits (Friedman, 1970; van Marrewijk, 2003). Therefore, they refuse to invest in seemingly unprofitable CS activities, and do not believe that it is their responsibility to solve societal problems, nor do they expect any business benefits from engaging in CS (Cantele and Zardini, 2020; Quazi and O'Brien, 2000). If this controlled CS motivation is increased due to stakeholder pressure, this is likely to translate into inferior CS performance due to the peculiarities of the SME, where ownership and control lie with the owner-manager, which allows a high degree of autonomy in CS decision-making (Jenkins, 2009). Similarly, if the controlled CS motivation of SMEs is reduced due to stakeholder pressure, e.g., because SMEs begin to see the benefits of engaging in CS, the expectation will be that this will strengthen the firm's actual CS performance. This paper hypothesizes:

Hypothesis 4a. Controlled CS motivation mediates the relationship between regulatory pressure and CS performance.

Hypothesis 4b. Controlled CS motivation mediates the relationship between community pressure and CS performance.

Hypothesis 4c. Controlled CS motivation mediates the relationship between employee pressure and CS performance.

3. Methods

3.1. Sample

To test the hypotheses, primary data was collected through online surveys sent by email to 9299 German and Austrian SMEs in November and December 2020. SMEs were identified based on firm research in the publicly available Dun & Bradstreet Hoovers business directory, in accordance with the official German SME threshold of fewer than 500 employees (Heider et al., 2021; IfM Bonn, 2018), and where the contact details of top executives were available. The study focuses on Germany and Austria as an economically and institutionally stable geographic region with a strong SME base. Germany and Austria are economically, culturally, and structurally similar, with a high proportion of SMEs: Germany with 99.5% (IfM Bonn, 2018) and Austria with 99.9% of all firms (WKO, 2019). In both nations, comprehensive CS regulations are imposed and enforced, which enables this study to meaningfully assess the perceived regulatory pressure on SMEs. In addition, the institutional setting is characterized by a high embeddedness of SMEs in their local communities and strong social bonds with internal and external stakeholders (Heider et al., 2021). These characteristics make the region an ideal testing ground for assessing the effect of stakeholder pressure and social proximity on SMEs' CS motivation.

In total, 448 SMEs accessed the online questionnaire, resulting in an initial response rate of 4.8%. As an incentive, participants were offered an individual CS firm profile at the end of the survey, a report containing the key findings and results of the study, and the commitment that a tree would be planted for each successful participation. In addition, the participants received a cover letter explaining the objectives of the study

and assuring confidentiality; this was followed up with two reminder emails. To ensure that only firm members who were well-informed about the firm's CS activities participated, emails were sent directly to top decision-makers, such as CEOs (74.4%), other board members (11.3%), advisory board members (2.9%), passive shareholders (0.9%) and other managers (10.5%). Only invited participants could access the survey.

After data screening, 104 replies were removed due to incomplete survey responses. The final dataset contained 344 SMEs, comprising 157 small firms (less than 75 employees) and 187 medium-sized firms (75 up to 500 employees) from a wide range of industries, with an average firm age of 73 years (see Table 1). Ultimately, the sample consists of highly experienced top decision-makers from private firms (88.6% board members with an average age of 52 years), which is why the overall response rate of 3.7% is acceptable, given the difficulties that surround accessing confidential primary data in SMEs (Bartholomew and Smith, 2006; Dennis, 2003; Macpherson and Wilson, 2003; Petts et al., 1999).

3.2. Measures

Measures used in this study were obtained from established CS and SME literature and translated into German. All scales (where not otherwise specified) were measured on a 6-point Likert-type scale, ranging from completely disagree (1) to completely agree (6). No items required reverse-coding. A detailed list of scale items is provided in the appendix (Table A1), and a brief overview and the descriptive statistics of the main constructs is presented in Table 2.

To measure *CS performance*, this study uses the stakeholder-based CS scale of El Akremi et al. (2018). The scale shows strong psychometric properties and is designed as a multidimensional construct, which assesses a firm's CS activities with regard to different stakeholder groups in the last three years of firm operations. Here, CS describes "context-specific organisational actions and policies that take into account stakeholders' expectations and the triple bottom line of economic, social, and environmental performance" (Aguinis, 2011: 858), while 'CS performance' describes the outcome of such actions, meaning the firm's actual contribution to environmental protection and social development (Wagner, 2010). To adapt the original 35-item scale to the SME context, the five most relevant dimensions for this purpose were selected,

Table 1
Sample profile.

Variable		n	%
Respondent			
Gender	Male	271	78.8%
	Female	71	20.6%
	Not reported	2	0.6%
Age	18–29	15	4.4%
	30–39	43	12.5%
	40–49	74	21.5%
	50–59	112	32.6%
	60–69	71	20.6%
	>70	18	5.2%
	Not reported	11	3.2%
Role	CEO	256	74.4%
	Other board member	39	11.3%
	Advisory board member	10	2.9%
	Passive shareholder	3	.9%
	Other manager	36	10.5%
Firm			
Country	Germany	297	86.3%
	Austria	47	13.7%
Size	<75 employees	157	45.6%
	75-500 employees	187	54.4%
Age	≤50 years	126	36.6%
	51–100 years	143	41.6%
	>100 years	75	21.8%

Note. N = 344; n: Frequency.

Table 2
Descriptive statistics.

	# of items	M	SD	Min.	Max.
CS performance	**30**	**4.309**	**.649**	**1.79**	**5.67**
Community	7	3.210	.941	1.00	6.00
Environment	7	4.210	.905	1.29	6.00
Employees	7	5.044	.696	1.57	6.00
Suppliers	4	3.802	1.224	1.00	6.00
Customers	5	5.276	.754	1.00	6.00
Controlled CS motivation	**5**	**2.941**	**.925**	**1.00**	**5.80**
Regulatory pressure	**1**	**3.547**	**1.462**	**1.00**	**6.00**
Employee pressure	**1**	**3.453**	**1.261**	**1.00**	**6.00**
Community pressure	**1**	**2.401**	**1.421**	**1.00**	**6.00**
Financial performance	**3**	**4.480**	**1.047**	**1.00**	**7.00**
Firm size (number of employees)	1	119.768	107.309	3.00	485.00
Firm age (years since foundation)	1	72.689	46.910	11.00	415.00

Note. N = 344; M: Mean; SD: Standard deviation.

including CS towards community, environment, employees, suppliers, and customers. In addition, the supplier dimension was adjusted to take into consideration environmental and anti-corruption measures in the supply chain, and expand the original focus on supplier working conditions. The final scale contains 30 items. The Cronbach's alpha value (α = 0.745) beyond 0.7 suggests good internal consistency (Bagozzi and Yi, 2012; Cortina, 1993) and the confirmatory factor analysis (RMSEA = 0.052; SRMR = 0.063) with RMSEA close to 0.05 and SRMR below 0.08 indicates close fit of the data to the model (Hu and Bentler, 1999).

To measure *controlled CS motivation*, the study makes use of the subscale developed by Déniz-Déniz and Cabrera-Suárez (2005). It is the only scale which directly measures controlled CS motivation, labelled the 'narrow vision of CS' in their model, and which has already been tested with SMEs, as well as matching with the definition of CS as comprising economic, social and environmental sustainability, that is utilized in this study. To increase reliability, the suggestion of Déniz-Déniz and Cabrera-Suárez (2005) has been followed, supplementing the 'narrow vision of CS' subscale with further items from the base model used by Quazi and O'Brien (2000), which the authors adapted to the SME context. Six items from Quazi and O'Brien (2000) original scale were therefore added, chosen by the highest content fit to the 'narrow vision of CS' dimension, resulting in eight items overall. A subsequent principal component analysis revealed the most relevant items, yielding five final items for the controlled CS motivation scale with high internal consistency (α = 0.795).

In order to measure the influence of *stakeholder pressure* on SMEs' controlled CS motivation, this paper follows the work of Henriques and Sadorsky (1999), and survey participants were asked to rate the extent of perceived pressure from different stakeholder groups: that is, from regulators, employees, and the community, with regard to CS activities in their firm. Single items for each stakeholder group were used, as recommended when the construct is narrow in scope, unidimensional, and unambiguous to the respondent (Fuchs and Diamantopoulos, 2009; Sackett and Larson, 1990), in response to the calls for investigating the influence of individual stakeholders (Aykol and Leonidou, 2015; Magrizos et al., 2021).

To separate the hypothesized effects between the relevant constructs from alternative explanations, three *control variables* were included based on careful theoretical considerations (Spector and Brannick, 2011). Firstly, firm size was included, which is operationalized as the logarithm of the number of employees, because larger firms might be subject to more public scrutiny (Uhlaner et al., 2012) and small firms might be less able to integrate CS into their business operations due to lack of resources, time, or knowledge (Cantele and Zardini, 2018; Testa et al., 2016). Several recent studies confirm the positive relationship between firm size and CS performance (Godfrey et al., 2009; Vijayvargy

et al., 2017). Secondly, the study controls for firm age, operationalized as the logarithm of the number of years since foundation, as younger firms are more likely to prioritize their short-term financial objectives over long-term survival, in which CS plays a greater role (Lindgreen et al., 2009). Several studies confirm this positive relationship between firm age and CS engagement, such as that by Santos (2011), who found that older SMEs were more deeply involved with the local community, or Du (2015), who showed that older firms made more contributions to philanthropic activities. Besides CS performance, firm age is also likely to influence the degree of stakeholder pressure, because younger firms suffer from the liability of newness and are confronted with a greater need for stakeholder acceptance, as stakeholders often expect newly established firms to commit to CS right from the beginning (De Clercq and Voronov, 2011; Shrivastava and Tamvada, 2019). Thirdly, financial performance was included, as the availability of financial resources might encourage CS investments (Orlitzky et al., 2003; Waddock and Graves, 1997) and lack of financial resources is one of the main barriers to CS implementation in SMEs (Parker et al., 2009). To measure financial performance, respondents were asked to rate the performance of their firm with regard to three performance criteria, relative to competition, on a seven-point Likert scale ranging from 1 (much worse) to 7 (much better). The three performance criteria 'sales growth', current level of 'EBIT margin', and 'return on equity' were adopted from Pelham (1999). The use of subjective performance measures is common in SME research, due to the lack of objective data for many privately held firms and a high correlation with objective performance measures, as top management respondents are, in general, knowledgeable informants with regard to the performance of their firms (Ling and Kellermanns, 2010).

3.3. Data analysis

For data analysis, the study makes use of structural equation modelling (SEM) using STATA software. SEM allows the simultaneous testing of the hypothesized relationships alongside a consideration of the psychometric properties and covariances of the latent constructs (Hair et al., 2006; MacKinnon, 2008). The SEM process consists of two distinct steps, given the importance of separately testing the measurement model and the structural model (Anderson and Gerbing, 1988). In the first step, the reliability, convergent validity, and discriminant validity of the chosen scales were tested as well as the overall model fit (Bentler, 1990). In the second step, the structural model was assessed using the maximum likelihood function, in order to test the causal relationships between the constructs of interest, and to validate the research hypotheses (Bagozzi and Yi, 1988; MacKinnon, 2008).

3.4. Common method bias

Since the data is cross-sectional in nature and gathered from a single type of data source (SME top decision-makers), several procedural and statistical remedies were adopted to reduce the threat of common method bias (CMB). During survey design, irrelevant questions and items were included, in order to reduce the perceived relevance of given answers in short-term memory and mitigate social desirability (Podsakoff et al., 2003). Data confirmed that social desirability is not a concern: responses to the controlled CS motivation statements did not produce any 'floor' effects at the low end of the scale, but a mean close to the scale midpoint with responses ranging from the minimum (1) to the maximum (6) and a distribution of almost textbook normality with a Shapiro-Wilk value of 0.99. To reduce priming effects, the order of the dependent and independent variables was inverted in the survey: CS performance of the firm was asked for first, followed by stakeholder pressure, then CS motivation (Podsakoff et al., 2003). When distributing the survey, confidentiality was assured, so as to encourage honest responses. In terms of statistical remedies, Harman's one-factor analysis (Harman, 1976) revealed the absence of a single dominant factor,

indicating that CMB is unlikely to be an issue (Chang et al., 2010). Eleven factors with an eigenvalue greater than 1 emerged from the factor analysis, explaining 66% of variance among the measures with the largest factor accounting for 21%. In addition, variance inflation factors were computed by taking the ratio of the total standardized variance over the unique variance (Kline, 2011). Variance inflation factors are a widely used measure of the degree of multicollinearity of one independent variable with other independent variables (O'Brien, 2007). Given that the highest variance inflation factor is 1.13, far less than the threshold of 5 (Urban and Mayerl, 2011), multicollinearity is unlikely to be a problem in this study (O'Brien, 2007). A non-response bias is not expected either, as the *t*-test revealed no significant differences between early and late respondent means (Armstrong and Overton, 1977).

4. Results and discussion

4.1. Measurement model

In the first instance, the reliability and validity of the measurement scales were assessed, and the overall model fit subsequently tested. Cronbach's alpha values here exceed the required threshold of 0.7 (Cortina, 1993) and composite reliability (CR) values exceed the threshold of 0.6 (as shown in Table 3), indicating acceptable reliability of latent constructs (Bagozzi and Yi, 1988). Average variance extracted (AVE) and individual factor loadings provide evidence of acceptable convergent validity, meaning that theoretically related items do actually correlate with each other (Cunningham et al., 2001). AVE values indicate the variability of observed items within a latent construct (Fornell and Larcker, 1981; Hair et al., 2006) and exceed the threshold of 0.5 (Bagozzi and Yi, 1988). Loadings of individual items were statistically significant (Anderson and Gerbing, 1988). The measurement model shows adequate discriminant validity, as the observed variables are more highly correlated within the respective latent construct than with any item outside the construct (Hair et al., 2006). To check for discriminant validity, a correlation table was set up and several tests for each latent construct were conducted (see Table 3).

As shown in Table 3, AVE values exceed maximum shared variance (MSV), as well as average shared variance (ASV) (Fornell and Larcker, 1981), and the square root of AVE values (reported on the diagonal of the matrix) consistently exceed inter-item correlations (Hair et al., 2006). As expected, correlation coefficients show modest magnitudes (the highest being .26). Overall, the analysis of the internal consistency, convergent and discriminant validity of the constructs indicates a high reliability and validity of the measurement scales (see Table 4).

Subsequently, the fit of the overall model was tested, using a set of absolute and relative fit measures (see Table 5). The relative chi-square (χ^2 (128.464)/degrees of freedom (105) = 1.223), which corrects the commonly applied chi-square statistic for its sample size sensitivity (Jöreskog and Sörbom, 1982; Kline, 2011), is less than 2, as required (Carmines and McIver, 1983). The root mean squared error of approximation (RMSEA = 0.026) is less than 0.05, indicating that the model does not exceed an appropriate level of close fit to the data (Browne and Cudeck, 1992). Additionally, the standardized root mean residual (SRMR = 0.038), which remains below the 0.08 limit (Hu and Bentler, 1999), as well as the PCLOSE value above 0.05, and the goodness-of-fit index (GFI = 0.933) above 0.9, indicate a good absolute model fit (Hu and Bentler, 1999). Further evidence for the fitness of the measurement model is provided by two commonly used relative fit indices, the comparative fit index (CFI = 0.987) and Tucker-Lewis Index (TLI = 0.982), which compare the chi-square values between the hypothesized and the baseline model (Bentler, 1990) and both exceed the 0.9 acceptance threshold (Bagozzi and Yi, 1988; Bentler and Bonett, 1980).

In additional unreported robustness checks, linear regression models were run, including squared terms of all variables of interest, in order to test for possible curvilinear relationships between the dependent

Table 3
Composite reliability, variances and correlations.

	CR	AVE	MSV	ASV	1	2	3	4	5	6	7
1 CS performance	.90	.66	.04	.02	.81[a]						
2 Controlled CS motivation	.88	.60	.03	.01	-.18[d]	.77[a]					
3 Regulatory pressure[b]	n/a	n/a	.07	.02	.01	.03	n/a				
4 Employee pressure[b]	n/a	n/a	.07	.02	.11[c]	-.11[c]	.26[d]	n/a			
5 Community pressure[b]	n/a	n/a	.07	.03	.15[d]	-.18[d]	.25[d]	.26[d]	n/a		
6 Financial perf.	.90	.75	.04	.01	.21[d]	-.05	-.04	-.07	.00	.87[a]	
7 Firm size (ln)[b]	n/a	n/a	.07	.02	.17[d]	-.08	.09[c]	.07[c]	.07[c]	.11[d]	n/a
8 Firm age (ln)[b]	n/a	n/a	.07	.01	.10[c]	-.02	.08[c]	.01	.06	-.01	.26[d]

Note. N = 344; CR: Composite reliability; AVE: Average variance extracted; MSV: Maximum shared variance; ASV: Average shared variance; TMT: Top management team.
[a] The square root value of AVE is reported along the diagonal.
[b] Directly observed (not latent) variable; CR and AVE are not applicable.
[c] p < .05.
[d] p < .01.

Table 4
Reliability and validity of measurement scales.

Test		Test criteria	Test result
Internal consistency/ reliability	Cronbach's alpha	>.7 (Bagozzi and Yi, 2012; Cortina, 1993)	Min. alpha = .745 (see chapter 3.2)
	Composite reliability (CR)	>.6 (Bagozzi and Yi, 1988)	Min. CR = .88 (see Table 3)
Convergent validity	Average variance extracted (AVE)	>.5 (Bagozzi and Yi, 1988)	Min. AVE = .60 (see Table 3)
	Factor Loadings	All significant (Anderson and Gerbing, 1988)	Confirmed (see Table A1)
Discriminant validity	Maximum shared variance (MSV)	AVE > MSV (Fornell and Larcker, 1981)	Confirmed (see Table 3)
	Average shared variance (ASV)	AVE > ASV (Fornell and Larcker, 1981)	Confirmed (see Table 3)
	Inter-item correlation	$\sqrt{AVE}$ > inter-item correlations (Hair et al., 2006)	Confirmed (see Table 3)

Table 5
Goodness-of-fit of the measurement model.

Test		Test criteria	Test result
Absolute fit	Relative Chi-square	χ^2/degrees of freedom <2 (Carmines and McIver, 1983)	1.223
	Goodness-of-fit index (GFI)	GFI >.9 (Hu and Bentler, 1999)	.933
Population error	Root mean squared error of approximation (RMSEA)	RMSEA <.05 (Hu and Bentler, 1999)	.026
	PCLOSE	PCLOSE >.05 (Hu and Bentler, 1999)	.999
Size of residuals	Standardized root mean residual (SRMR)	SRMR <.08 (Hu and Bentler, 1999)	.038
Relative fit	Comparative fit index (CFI)	CFI >.9 (Bagozzi and Yi, 1988; Bentler and Bonett, 1980)	.987
	Tucker-Lewis Index (TLI)	TLI >.9 (Bagozzi and Yi, 1988; Bentler and Bonett, 1980)	.982

variables and the variables of interest. None of the squared terms approached traditional levels of significance over a variety of tested models. Moreover, to further exclude the possibilities of omitted variable bias or undetected non-linear relationships in the data, Pregibon (1980) Goodness of Link test (Murteira, 2016; Pregibon, 1980) was used. No suggestions of possible omitted variables or undetected non-linear relationships were found.

4.2. Structural model

To validate the research hypotheses, the structural model (see Fig. 2) was assessed and the causal relationships between the constructs of interest (see Table 6) tested. The model indicates a strong positive relationship between regulatory pressure and controlled CS motivation, in support of Hypothesis 1a (β = 0.138, p = .004) and disconfirming hypothesis 1b. These results indicate that higher regulatory pressure does not lead to SMEs reducing their reluctance to engage in CS. On the contrary, it reinforces their reluctance, in direct opposition to the original intentions of the regulatory stakeholders. Based on the conceptual framework, it can be concluded that SMEs perceive regulatory pressure as a demotivating external imperative that reduces their self-determination, because it leaves little managerial discretion to the owner-managers and transforms CS engagement into an institutional 'script' that compromises their authenticity. In this sense, regulation can be counterproductive and crowd out genuine, intrinsic CS motives that, for example, could have a stronger impact on sustainable development than achieving certifications. Owner-managers might have a genuine interest in investing in clean technologies and renewable energies, or improving the ecological quality of their products and services; this is significantly reduced if they are forced to invest by regulatory bodies. Since hypothesis 1b could not be confirmed, it seems that SMEs frequently do not require a regulatory stimulus that sets the 'rules of the game', but prefer to decide for themselves to what extent and in what way they engage in environmental or social activities. The results confirm the opinions of those who are skeptical of the notion that regulatory pressure alone is the most effective means of changing the CS attitudes of SMEs (Patton and Worthington, 2003; Williamson et al., 2006).

Regarding community pressure, a negative effect on controlled CS motivation emerges from the structural model, thereby confirming Hypothesis 2 (β = −0.148, p = .003). This indicates that SMEs are not only sensitive to the demands of the community, which often has a strong interest in cleaner production, but also consider community claims as salient, thus encouraging them to overcome their reluctance towards CS. In contrast to regulatory pressure, community pressure does not seem to be perceived as reducing self-determination. Due to SMEs' embeddedness in the community (Fassin et al., 2015; Lähdesmäki et al., 2019) and the resulting high social proximity, SMEs appear to be willing to support their communities (Lähdesmäki et al., 2019; Longenecker et al., 2006), and do not fear a loss of identity or authenticity if they follow the community's claims. In fact, SMEs might begin to perceive the benefits of attending to the community's claims, such as improved reputation, increased sales, or risk reduction, as previously found by Madden et al. (2006), since community approval is vital for their economic success
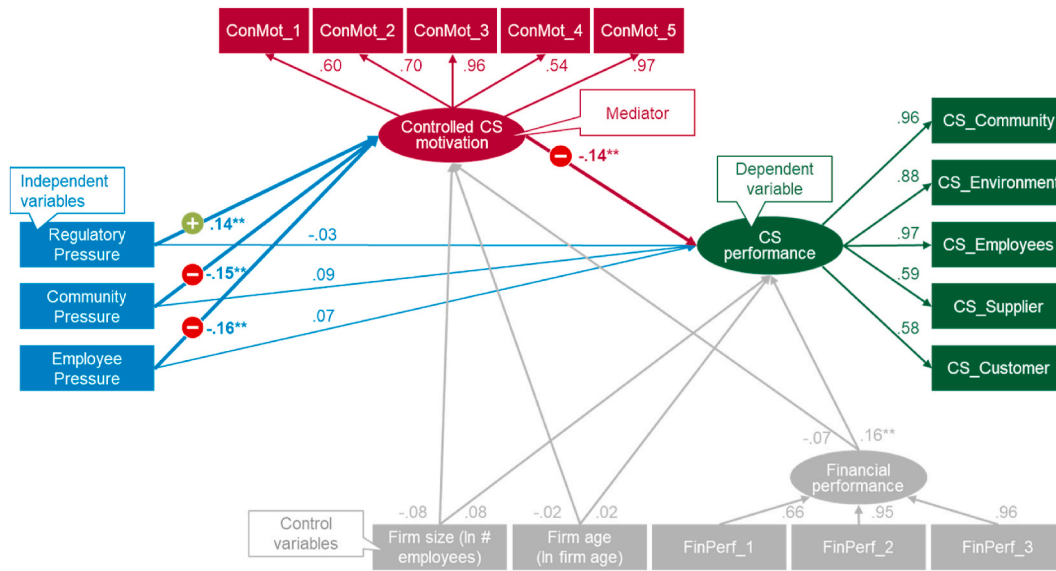
Fig. 2. Structural model

N = 344; *p < .05; **p < .01; Structural equation model used to test the hypothesized relationships with 'regulatory pressure', 'community pressure' and 'employee pressure' as the independent variables, 'controlled corporate sustainability (CS) motivation' as the (latent) mediator and 'corporate sustainability (CS) performance' as the (latent) dependent variable. Standardized parameter estimates. For reasons of clarity, this is a simplified version of the structural model without error terms. Light blue (direct) connections required to statistically test the mediation hypotheses H4a/b/c. Grey connections required to control for firm size, firm age and financial performance.

(Park and Campbell, 2018; Perrini, 2006). This result confirms the findings of those authors who suggest that the deep embeddedness of SMEs in the community may be a positive influencing factor on SMEs' CS attitude (Fisher et al., 2009; Lähdesmäki and Suutari, 2012).

In the same vein, employee pressure also reduces controlled CS motivation ($\beta = -.156$, p < .001), confirming Hypothesis 3. The results indicate that SMEs tend to directly perceive and address the CS concerns of their employees, who can be considered the stakeholder group with the greatest social proximity to the SME, due to their close personal relationships (Jamali et al., 2009); this is also reflected in the effect size, as compared to regulatory and community pressure. As with community pressure, employee pressure does not appear to imperil self-determination: the close social bonds based on mutual trust seem to prevent the CS stimulus being perceived as an external imperative. SMEs seem to take employee demands seriously, as they value a caring, 'family' working atmosphere and feel responsible for their employees; moreover, they might also expect positive performance implications, which does not harm their authenticity or self-determination. This positive effect of employee pressure on CS motivation is consistent with previous findings (Madsen and Ulhøi, 2015; Magrizos et al., 2021) and provides a third indicator, along with community and regulatory pressure, that social proximity is an important driver of stakeholder salience in SMEs with respect to CS.

To examine hypotheses 4a/b/c, which posit that controlled CS motivation mediates the relationship between regulatory, community, and employee pressure, and CS performance, respectively, three mediation analyses were conducted. Given that the approach adopted by Baron and Kenny (1986) can lead to incorrect conclusions about mediation (Iacobucci et al., 2007), the methodology of Iacobucci et al. (2007) was applied; this allows simultaneous estimation of the direct and indirect effects to be carried out, whilst controlling for the other. All three hypotheses (H4a/b/c) fulfill the proposed mediation conditions of Iacobucci et al. (2007).

Regarding Hypothesis 4a, the mediation model confirms that controlled CS motivation fully mediates the relationship between

regulatory pressure and CS performance, as, firstly, the independent variable of regulatory pressure is related to controlled CS motivation (hypothesis 1). Secondly, controlled CS motivation affects the dependent variable CS performance ($\beta = -0.137$, p = .003). Thirdly, Sobel's test (Sobel, 1982) is significant (p = .040). Fourthly, regulatory pressure does not directly influence CS performance ($\beta = -0.028$, p = .537). When applying the same conditions to hypothesis 4b, results show that controlled CS motivation also fully mediates the relationship between community pressure and CS performance, as community pressure directly influences controlled CS motivation (Hypothesis 2), Sobel's test is significant (p = .036), yet community pressure does not directly influence CS performance ($\beta = 0.092$, p = .061). The same applies to hypothesis 4c. The influence of employee pressure on CS performance is fully mediated by controlled CS motivation, as employee pressure directly affects controlled CS motivation (Hypothesis 3), Sobel's test is significant (p = .029), but employee pressure does not significantly influence CS performance directly ($\beta = 0.069$, p = .139). Regarding control variables, financial performance ($\beta = 0.159$, p = .001) significantly affects CS performance but not controlled CS motivation, whilst firm size and firm age have no significant effect on CS performance or controlled CS motivation, respectively.

This answers RQ1, because the results indicate that controlled CS motivation does indeed reduce an SME's CS performance. Further, the mediation analyses reveal that all three stakeholder pressures ultimately influence the overall CS performance of the SME, that is, indirectly through increasing or reducing the controlled CS motivation of the SME. Because ownership and control in SMEs often lie with the owner-managers, they usually have the power and autonomy to immediately implement the firm's CS motivation. The results show that it is important to understand the impact of different stakeholder pressures on the motivation of owner-managers and their need for self-determination, resulting in several practical recommendations, particularly for policy-makers, which are discussed in more detail in section 5.2.

Table 6
Hypotheses and p-values of the structural model.

Hypothesis	Path	p-value	Result
H1a (+)	Regulatory pressure → Normative CS motivation	.004	Supported
H1b (−)	Regulatory pressure → Normative CS motivation	.004	Not supported
H2 (−)	Community pressure → Normative CS motivation	.003	Supported
H3 (−)	Employee pressure → Normative CS motivation	<.001	Supported
H4a (−)	Regulatory pressure → Normative CS Motivation → CS Performance	.040 (Sobel's test)	Supported (full mediation)
H4b (+)	Community pressure → Normative CS Motivation → CS Performance	.036 (Sobel's test)	Supported (full mediation)
H4c (+)	Employee pressure → Normative CS Motivation → CS Performance	.029 (Sobel's test)	Supported (full mediation)

5. Theoretical and practical contributions

On the basis of a unique sample of 344 SMEs, the present study provides an important theoretical contribution towards a better understanding of the reluctance of SMEs to engage in CS and addresses the lack of CS research in SMEs (Brammer and Pavelin, 2006; Laguir et al., 2016), in particular regarding the deterrent factors related to SMEs' CS motivation (Cantele and Zardini, 2020; Perrini, 2006). The originality of the study lies in integrating theoretical explanations from stakeholder salience and self-determination theory to empirically show, on a micro-foundational level, how different stakeholder pressures affect the CS motivation of SMEs and ultimately CS performance, thereby tackling the issue of insufficient multilevel, multidisciplinary research in CS (Aguinis and Glavas, 2012). The study advances CS research by helping to solve the puzzle of inconsistent findings regarding regulatory influences on CS performance and showing how regulation, in contrast to the original intentions of policymakers, can reduce overall CS performance, because it enhances SMEs' controlled CS motivation, which is a novel element in SME CS research, despite its significant political relevance (Mallett et al., 2019). The claim is thereby challenged that stronger regulation is the optimum way of advancing the CS performance of firms (Bradford and Fraser, 2008; Revell and Blackburn, 2007; Rutherfoord et al., 2000) and the results of those researchers who argue that regulatory pressure can also be counterproductive (Fassin, 2008; Graafland and Bovenberg, 2020; Patton and Worthington, 2003; Williamson et al., 2006) are supported.

By further developing the social proximity argument, the study advances stakeholder salience theory and shows that SMEs attach considerable importance to the CS claims of socially proximate stakeholders when formulating CS strategies. Unlike prior studies, which mostly assess the direct effects of stakeholder pressure on CS performance, with ambiguous overall results (Cantele and Zardini, 2020), a nuanced perspective is adopted, using controlled CS motivation as a link that explains not only if, but also how, demands from different stakeholder groups interact and affect CS performance. Moreover, whilst past research has largely viewed CS in fairly narrow terms (environmentally or socially), or approximated CS performance through CS reputation, CS reports (Aguilera et al., 2007), or the implementation of certifications (Boiral et al., 2017; Hillary, 2004), CS performance is holistically assessed through measurable CS activities following the triple bottom line of social, environmental and economic sustainability (Elkington, 1997).

The study offers important policy implications, given the large number of SMEs and their significant contribution to global pollution (Hillary, 1995; Marshall, 1998) and social misconduct (Fernández and Camacho, 2016; Turyakira, 2018). Since SMEs tend to be somewhat reluctant to engage in CS, policymakers need to develop strategies to convince the unconvinced and to create conditions in which sustainable SMEs can prosper (Steurer, 2010). Understanding which stakeholders have the power to drive the transition towards a stronger CS performance of SMEs is critical, in terms of achieving global sustainable development goals. However, policymakers should be cautious about applying regulatory pressure to spur CS, as over-regulation can become counterproductive and crowd out genuine, intrinsic CS motives, potentially leading to adverse effects with regard to CS performance. Under external pressure, SMEs often perceive CS standards as impractical to implement and unfair to SMEs, leading to propositions that merely comply with, rather than exceed, regulatory thresholds (Tenbrunsel et al., 2000).

Policymakers should therefore shift their attention to CS outcomes, rather than the mere attainment of certifications, which may simply create a mirage-like simulacrum of CS progress, effectively running counter to the very spirit of CS (Fassin, 2008). Political institutions should consider complementary mechanisms for reducing the controlled CS motivation of SMEs, through the provision of financial and organisational support for CS improvements, the development of training programs aimed at raising awareness of the business benefits of CS, and a shift away from command-and-control regulations and towards voluntary systems, which would allow differentiation with respect to competitors (Bianchi and Noci, 1998). For example, in terms of cleaner production, policymakers could provide training and share best practices on efficient ways to reduce pollution, save resources and energy, material selection, eco-design, or complex processes such as measuring the impact of business activities on the environment through carbon audits.

Since SMEs appear to pay attention to employees and local communities, policymakers could also raise public awareness and use employees and community stakeholders as catalysts of the public CS agenda. Subsequently, owners who wish to improve the CS performance of their firm should install managers who will react positively to the claims of employees and the local community, since they may be resident in that community or have been promoted from the employee workforce. CS improvements might require frequent interaction with internal and external stakeholders, advanced stakeholder management skills, active employee participation in the development of CS programs, establishment of new partnerships or joint programs with community stakeholders, and thorough CS communication. SMEs could integrate their employees in the design and implementation of CS initiatives to address their concerns and try to design their CS activities according to their employees' priorities, as well as learning from them which CS activities are important. To improve cleaner production, SMEs could also encourage employees to adopt eco-friendly behaviour, e.g. sorting trash, or saving water and electricity. First of all, however, SME managers should understand that CS can also be beneficial for SMEs, and should be open to exploring market opportunities, instead of waiting for the government to install binding standards for all firms, which do not yield any competitive advantages.

6. Conclusions

SMEs are said to exhibit significantly lower CS performance than large firms, because they are more reluctant to engage in CS (Bradford and Fraser, 2008; Revell and Blackburn, 2007). The conceptual framework of this study proposes that this reluctance on the part of SMEs, measured as controlled CS motivation, is an important barrier to a superior CS performance (RQ1) and that this motivation is influenced by different stakeholder groups, with the direction of influence depending on the social proximity of those stakeholders to the SME (RQ2). The main objective of this study is to uncover the capacity of different types of stakeholders to reduce the controlled CS motivation of SMEs and, in turn, improve their CS performance. To this end, the impact of CS pressure from 'distant' regulatory stakeholders is compared with that of

'proximate' employee and community stakeholders. Survey-based data from a large sample of privately held SMEs operating in Germany and Austria empirically validates the hypotheses put forward.

The results show that controlled CS motivation does indeed reduce the CS engagement of SMEs, thereby answering RQ1. Further, the findings indicate that 'proximate' employee and community pressure reduces controlled CS motivation, and hence increases overall CS performance, while 'distant' regulatory pressure has precisely the opposite effect, ultimately reducing SMEs' CS performance, thereby answering RQ2.

SMEs often perceive legislation as a complex, unfair (Fassin, 2008; Mallett et al., 2019) and demotivating external imperative that transforms their CS engagement into an institutional 'script' and compromises their self-determination (Graafland and Bovenberg, 2020; Morsing and Spence, 2019), leading to proposals that merely conform to the standard, rather than surpassing it (Tenbrunsel et al., 2000).

In contrast, SMEs appear to be rather sensitive to community demands, because of their deep embeddedness in the local community (Lähdesmäki et al., 2019; Russo and Perrini, 2010). This social proximity creates strong relationships based on mutual trust, strengthening local monitoring and sanctioning mechanisms, which likely enhance the willingness of SMEs to support their communities (Courrent and Gundolf, 2009; Lähdesmäki et al., 2019).

Similarly, the attachment SMEs feel to their staff, in addition to fewer bureaucratic communication channels, allows them to directly perceive and address the CS concerns of their employees (Darnall et al., 2010; Fassin, 2008), who can be considered the stakeholder group with the greatest social proximity to the SME (Jamali et al., 2009). These close employee ties are also potentially the proverbial 'eye-opener' for SMEs, demonstrating that responding to their demands could bring certain benefits to the firm, such as improved job satisfaction and productivity, and hence firm performance (El Akremi et al., 2018; Jones, 2010), reducing their controlled CS motivation.

The results further indicate that social proximity and self-determination theory provide a solid conceptual basis that helps to explain the seemingly contradictory findings of previous research with regard to different directions and magnitudes of stakeholder pressures on the CS performance of SMEs. In contrast to large firms, SMEs are strongly influenced by feelings of social propinquity with their proximate stakeholders (Lähdesmäki et al., 2019; Spence, 2016), which increases the salience of their CS claims. SMEs tend to be responsive to the CS demands from proximate stakeholders who do not dictate the 'rules of the game' but rather leave scope for managerial discretion and self-determination, confirming Lähdesmäki et al. (2019) theory that social proximity is an important determinant of stakeholder salience in SMEs.

7. Limitations and future research directions

This study contains several limitations that should be noted, but which offer opportunities for future research. First of all, it is beyond the scope of this study, which follows a cross-sectional research design, to consider the dynamic nature of stakeholder pressure and CS motivation. Future research might aim at an understanding of how firms adapt to changing stakeholder demands over time, and how this affects CS motivation and CS performance, given the paucity of literature on CS dynamics (Marais et al., 2020), which is due to the well-known difficulties surrounding primary data collection in SMEs (Agostini et al., 2017; Macpherson and Wilson, 2003). In one of the few longitudinal studies on this topic, Marais et al. (2020) show that CS engagement by the food-products firm Danone evolved in several stages, each prioritizing different stakeholder groups and CS activities.

Secondly, as the empirical analysis was conducted using a sample of German and Austrian SMEs only, generalizability could be considered an issue. Nevertheless, in light of broader sustainability research, it can be expected that the results are generalizable across a wide range of mature economies. This is supported by the few existing multi-country studies which have found, for example, across twelve European countries, that regulatory pressure leads to self-interested behaviour (Graafland and Bovenberg, 2020). Similarly, studies find that community embeddedness and social proximity play important roles in SME's CS engagement in Finland (Lähdesmäki and Suutari, 2012), Lithuania, France (Colovic et al., 2019), Denmark (Madsen and Ulhøi, 2015), the Netherlands (Masurel, 2007), and Australia (Madden et al., 2006), amongst others. However, the reader should exercise caution when drawing general conclusions about countries with significantly different institutional or political circumstances, such as China or South Korea, where governments frequently hold ownership interest, or enjoy particularly close relationships with firms, which may influence CS behaviour (Du, 2015). Tang et al. (2018), for example, using a sample of 8920 listed corporations in China from 2010 to 2014, observed that state-owned enterprises behaved differently from non-state-owned enterprises, in that they showed higher CS performance in urban areas. Cultural factors also need to be taken into consideration. The literature offers evidence of a negative correlation between CS performance and power distance. Firms in countries with a high power distance, such as some of those in Asia, tend to show lower CS performance, because inequality is more likely to be tolerated (Gallén and Peraita, 2018), whilst CS initiatives towards external stakeholders are a higher priority and more openly discussed in countries where power distance is low (Waldman et al., 2006). Therefore, there is a need for more multi-country studies, which offer considerations of countries that differ considerably in terms of culture and institutional framework, as well as for study designs that directly address possible cultural and institutional differences.

Thirdly, the study focuses on the broader relationship between perceived CS pressure from different stakeholder groups and the CS motivation of SMEs, without specifically measuring stakeholder salience in greater detail. Future research could investigate whether specific attributes of stakeholder pressure, such as relative power or urgency (Mitchell et al., 1997), reduce controlled CS motivation and improve CS performance. Differentiating between distinct types of stakeholder interactions in order to discover, for example, which types of regulatory intervention are more effective, might be another valuable contribution to an improved understanding of CS decision-making in SMEs.

Finally, future researchers could consider integrating multiple data sources and, for example, assess stakeholder pressure more objectively through external sources, such as via employee interviews or media research. In this regard, the authors recommend combining individual (e.g. employee concerns in regard to CS issues), organisational (e.g. competitive strategy), and institutional level (e.g. national context) variables, so as to address the lack of multilevel research in CS (Aguinis and Glavas, 2012).

CRediT authorship contribution statement

Robin-Alexander Ernst: Conceptualization, Data curation, Formal analysis, Investigation, Methodology, Project administration, Validation, Visualization, Writing – original draft. **Maike Gerken:** Conceptualization, Data curation, Methodology, Validation, Writing – review & editing. **Andreas Hack:** Conceptualization, Methodology, Validation, Writing – review & editing. **Marcel Hülsbeck:** Conceptualization, Data curation, Methodology, Validation, Writing – review & editing.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence

the work reported in this paper.

APPENDIX

Table A1
Scale items

Construct	Item	# Items	Stand. Factor Loading
CS		**30**	
	Our company is highly engaged in …		
Community		7	.96*
	… improving well-being in the region (e.g. help for schools, sporting events, the church etc.).		.41*
	… giving financial assistance to the poor in the region.		.47*
	… assisting local residents in case of natural disasters and/or accidents.		.71*
	… helping non-governmental organisations (e.g. UNICEF, the Red Cross, and emergency medical services for the poor).		.66*
	… investing in humanitarian projects in poor countries.		.68*
	… investing in the health of populations of developing countries (e.g. vaccination, fight against AIDS).		.60*
	… providing financial support for humanitarian causes and charities.		.69*
Environment		7	.88*
	… reducing pollution related to our activities (e.g. choice of materials, eco-design).		.74*
	… saving resources and energy (e.g. recycling, waste management).		.73*
	… improving the ecological quality of our products and services.		.81*
	… investing in clean technologies and renewable energies.		.69*
	… measuring the impact of our activities on the environment (e.g. carbon audit, reduction of greenhouse gas emissions).		.59*
	… protecting biodiversity.		.53*
	… encouraging our employees to adopt eco-friendly behaviour (sorting trash, saving water and electricity).		.71*
Employees		7	.97*
	… promoting the safety and health of our employees.		.71*
	… improving the well-being of our employees at work.		.75*
	… avoiding all forms of discrimination (age, sex, handicap, ethnic or religious origin) in our recruitment and promotion policies.		.61*
	… supporting equal opportunities at work (e.g. gender equality policies).		.65*
	… encouraging employees' diversity in the workplace.		.59*
	… helping our employees in case of hardship (e.g. medical care, social assistance).		.61*
	… supporting our employees' work/life balance (e.g. flextime, part-time work, flexible working arrangements).		.53*
Suppliers		4	.59*
	… ensuring that all our suppliers (and subcontractors) respect and apply current labour laws.		.70*
	… helping our suppliers (and subcontractors) to improve the working conditions of their own workers (e.g. safe working environment, avoidance of wage dumping etc.).		.79*
	… improving environmental protection in our supply chain (e.g. environmental audit or environmental incentives for our suppliers or subcontractors).		.85*
	… improving anti-corruption measures in our supply chain (e.g. comprehensive corruption risk analysis of suppliers and subcontractors).		.69*
Customers		5	.58*
	… checking the quality of goods and/or services provided to customers.		.77*
	… helping our customers and advising them about our products and/or services.		.75*
	… meeting our obligations to customers.		.82*
	… investing in innovations which are to the advantage of customers.		.72*
	… ensuring that our products and/or services are accessible for all customers.		.58*
Controlled CS motivation		**5**	
	Asking business to be involved in any activity other than making profit is likely to make society worse off rather than better off.		.60*
	Business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests.		.70*
	It is unwise to ask business to fix social and environmental problems created by others and which have no profit potential.		.96*
	Business should tackle only those social and environmental problems that are created by its own actions.		.54*
	Business already has a lot to do and should not take on other responsibilities.		.97*
Stakeholder pressure		**3** (single items)	
Please assess the extent to which you have perceived pressure from the following stakeholder groups regarding sustainability activities in your company.			
	Government/regulations		n/a
	Employees/labour unions		n/a
	Local community/non-governmental organisations/media		n/a

*p < .01.

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