Essays on Corporate Social and Resource Responsibility

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To

Melody’s Moon Safari

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1 Introduction

'Sustainability' or 'corporate social responsibility' (CSR) have become buzzwords closely linked to nowadays business practice. While the concept CSR exists for several decades and some companies assumed social and environmental responsibilities already centuries ago, however, even the modern discussion of CSR since the early 1990s is far from conclusive (Dahlsrud, 2008; M. D. P. Lee, 2008; Boulouta and Pitelis, 2014). CSR as a concept overlaps with other concepts such as business ethics, corporate citizenship and the triple bottom line. It is highly contextual in terms of its corporate as well as national environment. Moreover, CSR is a fundamentally contested concept: definitions of what CSR is, as well as the concepts to organize CSR and even its terminology diverge greatly (Dahlsrud, 2008; M. D. P. Lee, 2008). As the notions of CSR and sustainability gradually converge, in line with extant literature (Hahn and Kühnen, 2013; Schreck and Raithel, 2018), this thesis considers sustainability and CSR as consistent concepts and uses the two terms interchangeably. It gives priority to the term sustainability, however, for it more clearly outlines the idea of sustainable development under consideration of social, environmental and economic aspects, i.e. the triple bottom line (Elkington, 1998).

An increasing number of multinational corporations and (large) domestic firms, supported by business associations, standard setters and governmental initiatives, are adopting a variety of voluntary sustainability initiatives that include firm-intern codes of conduct, sustainability reporting (SR), participation in certification and labeling schemes such as ISO standards as well as partnerships with non-governmental organizations (NGOs) such as the Global Reporting Initiative (GRI) and inter-governmental organizations such as the United Nations (UN), among others. Financial crises, human rights violations and environmental disasters underline the need for increased action. Moreover, corporations have increasingly globalized over the past decades, spawning supply chains across firms of different sizes in countries and jurisdictions around the globe. Regulation, strongly based at the national level, could not for a long time keep up with the business across multiple jurisdictions. These matters make a thorough discussion of the social, environmental and economic responsibilities of firms highly relevant.

People, in- and external to a focal organization, are an implicit component of this discussion. Stakeholder theory deals with these people and is based on the notion developed by Freeman (1984) that corporations consist of various interest groups. These interest groups can comprise internal stakeholders such as business owners and employees as well as external ones such as shareholders, business partners, consumers and NGOs. In a broader sense, also the physical environment can be a stakeholder to an organization. Managing relationships with key business stakeholders has become essential for value generation in firms (Hamman et al., 2010). Any stakeholder or key agent for a firm will be able to exert pressures that will influence the depending firm (DiMaggio and Powell, 1983) and thus can create a demand for the adoption of new organizational sustainability practices, both via formal and informal pressure (Castka and Balzarova, 2008). The organization is thus accountable towards its stakeholders, especially the most salient ones (Mitchell et al., 1997; Orzes et al., 2018). Every firm should be managed with its stakeholders in mind, and, if possible, accommodate their requirements. Otherwise stakeholders may question the firm's legitimacy and pressure it to change its actions. Research recognizes the significance of stakeholders, however, uncertainty exists among firms on how to address stakeholder requirements and organize CSR to strategically lever it for the firm (Godfrey, 2005; Vallaster et al., 2012). Consequently, stakeholder theory plays an important role in all chapters of this thesis.

While large firms tend to formalize and to adjust their CSR communication to their stakeholders, SMEs usually take a more informal and less organized approach to CSR (Hahn and Scheermesser, 2006; Murillo and Lozano, 2006; Perrini et al., 2007; Luna Sotorrio and Fernandez Sanchez, 2010). At the same time, SMEs are increasingly expected to develop strategies to accommodate accelerating global requirements for sustainable development and proactively address sustainability issues (Parker et al., 2009). Especially large customer firms can directly exert pressures on their (smaller) suppliers, and failing to comply may lead to the exclusion from the supply chain (Roberts et al., 2006; Saenger, 2017). Moreover, while significant regulatory CSR approaches such as the European Union (EU) directive 2014/95 on non-financial reporting only mandates SR for large firms, indirect effects on other firms such as SMEs are likely (Coenenberg and Fink, 2017; Saenger, 2017). Extant research addresses the effects of voluntary and mandatory SR on firms directly and indirectly concerned, however, the discussion has remained largely hypothetical about actual consequences and vague about the impacts on firms of different sizes (e.g. cf. Brown et al. (2009), Hahn (2013), Fiechter et al. (2017), Ioannou and Serafeim (2017), Jackson et al. (2017), Venturelli et al. (2017)).

Already decades ago, research has recognized there is no 'one-fits-all'-approach to CSR (Spence and Lozano, 2000; Tilley, 2000; Jenkins, 2004). Consequently, there have been numerous initiatives to engage SMEs in CSR, however, most of which have been symbolic or reduced to local efforts by private and governmental actors (Fifka and Reiser, 2015; Camilleri, 2016). SR frameworks such as the GRI or the United Nations Global Compact (UNGC) likewise encourage SMEs to engage sustainably by proposing SR as one form of a formalized CSR initiative. Researchers have well recognized and discussed the relevance of these frameworks, however, their role in SME and large-firm reporting has yet to be better understood (Marimon et al., 2012; Voegtlin and Pless, 2014; Stawinoga and Velte, 2015). Despite previous engagements and SR frameworks' claims to be relevant also for SMEs, extant literature indicates mixed results with regards to whether SMEs can, do and should engage in formal CSR (Graafland et al., 2003; Fassin, 2008; Pedersen, 2009; Johnson and Schaltegger, 2016). Lacking knowledge and failure to adjust CSR and related reporting to SME idiosyncrasies are addressed as the major factors inhibiting SMEs' (formal) engagement.

The preceding discussion thus raises several questions which deserve further attention: how do firms of different size cope with stakeholder demands requiring increasingly formalized approaches to sustainable engagement? Which direct and indirect effects on firms result from CSR regulation and how do they impact firms? Which role do SR frameworks play for firms of different sizes and origins, currently and in the future, as one aspect of formalized CSR? Which relevance do SMEs have for the sustainability agenda? How much can it be left up to the individual firm to be socially and environmentally responsible and how much does sustainable engagement need to be enforced by policy makers? How could firms be supported in organizing CSR and dealing with their stakeholders?

Chapter 2 addresses this last question conceptually by developing a framework which allows for business managers to locate their firm against its broader environment and organize their CSR engagements accordingly. Chapter 2 thus discusses the question whether and under which circumstances it is a wise decision for a corporation to engage in CSR. Stakeholders as well as the salience of CSR play an integral role in the argumentation. The developed framework allows firms to determine dominant CSR strategies facilitating a competitive CSR advantage. By clustering companies' CSR agendas within this framework, chapter 2 underlines the necessity to develop a knowledgeable and possibly strategic approach towards CSR and thus seeks to contribute to the introduction of social responsibility as a business case in organizations.

Chapter 3 takes a closer look at the relevance of firm size in formalized CSR, in particular with respect to mandatory SR. It studies how German firms evaluate a recent national CSR law based on an EU directive and the burden they expect regarding their organizational responsibilities due to mandatory SR. By surveying firms directly or indirectly affected by the law and empirically analyzing their responses, chapter 3 shows differing effects on SMEs and large firms as well as firms which are directly and indirectly affected. Findings show that firm size only matters for the evaluation of the law by directly affected firms, while size does not matter in the case of indirectly affected firms. It also discusses possible moderators of this evaluation which are grounded in the resource-based theory and formalization of CSR. Chapter 3 thus contributes to the understanding of when firm size matters in the case of mandatory SR and underlines the role of organizational resources and capabilities as well as the special position of SMEs.

Chapter 4 addresses the distinct position of SMEs and relevance of formalized CSR in form of SR in more depth. It focuses on the role SR frameworks play for firms of different size and origin, currently and in the future. Chapter 4 consequently examines the current state of company SR on a global scale and across several country clusters. It also discusses how SMEs participate increasingly in sustainable development. Data from three of the most significant reporting frameworks, the GRI, the UNGC, and the German Sustainability Code form the basis of the discussion. By taking a comprehensive approach to SR and by comparing SR patterns of SMEs to those of large firms, chapter 4 argues SMEs can indeed engage in formalized CSR and contribute to the sustainability agenda. The detailed analysis and discussion of developments across selected reporting frameworks sheds light on their relevance for current and future reporting of SMEs and large firms. Finally, chapter 4 argues for regulatory support especially for SMEs to be socially and environmentally responsible.

To conclude, the thesis highlights sustainable development requires a holistic, conscious and transparent approach. Hence, firms irrespective of their sizes and idiosyncrasies should seek to contribute to the sustainability agenda. Policy makers as well as non- or inter-governmental organizations can support extant bottom-up movements by providing guidance and knowledge.

2 Is it Wise to be Responsible? Why Corporate Social Responsibility is a Strategic Necessity in Business Management

2.1 Publication Details

Abstract: The discussion on various aspects of corporate social responsibility (CSR) is manifold, yet the question whether it is a wise decision for a corporation to be responsible remains open. We address this issue by introducing a framework based on the salience of CSR and the stakeholder concept. Our framework facilitates three elements ‘apply’, ‘know’ and ‘use’ resulting in a matrix of eight possible combinations of CSR. We argue two of the eight combinations to be dominant strategies leading to long-term business success and a competitive advantage. Clustering companies’ CSR agendas within this framework, we underline the necessity to develop a strategic approach towards CSR and thus contribute to the introduction of social responsibility in organizations.

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2.2 Introduction

Companies worldwide show an increasing interest in corporate social responsibility (CSR, hereafter) (cf. Esrock and Leichty (1998), Kotler and Lee (2005)). Moreover, a growing number of CEOs promote and publicly speak about CSR such as Sir Richard Branson, founder of Virgin Group and Co-Founder and Co-Chair of the not-for-profit initiative 'The B Team', at the UN Conference on Sustainable Development in 2012. Simultaneously stakeholders are increasingly interested in a company's performance in areas beyond financial performance and brand image, and address a company's social contribution (Ingenhoff and Sommer, 2011; Vallaster et al., 2012). Stakeholders are keen to see firms comply with their expectations and punish them if they do not see the desired outcome (Kucuk, 2010; Sweetin et al., 2013). They also react sensitively to CSR communication (Morsing and Schultz, 2006) which can have, if not well executed, negative effects for the firm as well (Schlegelmilch and Pollach, 2005; Van De Ven, 2008). Companies respond to these demands by engaging in CSR. Despite the concept's global prominence, however, CSR agendas and corresponding communication strategies differ notably (Welford, 2005; Jamali and Mirshak, 2007; Barkemeyer, 2009). At the same time, the question under which circumstances it can be beneficial for a firm to anchor CSR in its corporate strategy or whether it makes sense at all for an organization to engage in CSR is rarely addressed (cf. Godfrey (2005) for example, who determines an optimal level of philanthropic engagement). In this paper, we address the following questions: Is knowledge about CSR necessary for strategic business management, and is CSR as such a strategic necessity? Can firms' CSR activities be categorized in a framework, and are there dominant categories which lead to long-term business success? Finally, which influence do stakeholders have on a firm's positioning?

To answer these questions, we introduce a CSR framework by putting stakeholders in the center of our discussion as they are key to an organization's long-term success and have become an integral element in management the latest since Freeman (1984). Our framework consists of three key elements 'apply', 'know' and 'use'. The element 'apply' refers to an action in the simplest form, i.e. not necessarily directed to the achievement of a specific goal. 'Know' refers to knowledge or awareness of the CSR concept in general while 'use' refers to the strategic use i.e. the strategic (stakeholder-oriented) communication of CSR related matters. There is no hierarchy among the three elements. Taken together they form the 'Apply-Know-Use' (AKU) matrix with eight different categories. Each category represents a different combination of the three elements, such as 'apply, know, do not use' or 'apply, do not know, use'. In our analysis, we find two of the eight categories to represent dominant CSR strategies, leading to a competitive advantage and long-term business success. The others represent activities, which add neither a benefit nor a competitive advantage for the organization. The conceptual framework developed in this paper serves as a basis to develop a company's CSR strategy and shows why some CSR strategies lead to long-term business success. The findings underline the necessity for policymakers and other powerful stakeholder groups to push for socially responsible and ethical behavior if they want to shape a company's future. The remainder of this paper is organized as follows: we first describe the theoretical and empirical foundation in the following section. The third section then develops the framework in the corporate setting, which we discuss in the fourth chapter. The final fifth chapter concludes.

2.3 Theoretical and Empirical Foundation

2.3.1 Historical Context and Disambiguation of CSR

Corporate Social Responsibility (CSR) is a phenomenon, which, in its origins, dates back centuries (Carroll, 1999; Schueth, 2003). The beginning of the 'modern' CSR movement roots in the early 20th century. Donham (1927, 1929) is one of the first suggesting to conduct business in a way which contributes to the well-being of society, and thus to focus more on social responsibility. From the 1950s onwards, the discussion about CSR gains momentum. Bowen (1953) is the first to introduce the term 'Corporate Social Responsibility' (Bassen et al., 2005) defining CSR as the obligation "to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen, 1953, p. 6). In the 1960s, the discussion becomes more formalized with Davis (1960, 1967) and Frederick (1960) as proponents of CSR, and Friedman (1962, 1970) as one of the concept's advocated opponents especially in the early 1960s. During the following decades CSR is continuously conceptualized and new definitions are developed. This leads to derivatives of CSR such as Corporate Social Performance (CSP), Stakeholder Theory, Corporate Environmental Management (CEM) and Corporate Citizenship (CC) to name the most prominent (cf. Carroll (1999), Bassen et al. (2005)). Today, numerous definitions of CSR exist (e.g. Bowen (1953), Carroll (1979), Crane et al. (2008)), and numerous organizations advocate the concept. The latter are e.g. the World Business Council for Sustainable Development, the European Commission, the United Nations Global Compact, and national governments such as Great Britain's, which has a section on its official homepage dedicated to information on what the British government is doing to achieve its CSR goals including policies, programs and legislation among others.

Thus, one can consider CSR as a phenomenon, which, since its initial introduction, has been controversially discussed and used in different context and meaning (e.g. M. D. P. Lee (2008), Loureiro et al. (2012)) or as Votaw and Sethi (1973) state: "Corporate social responsibility means something, but not always the same thing to everybody" (p. 11). Blowfield and Frynas (2005), Lockett et al. (2006), Vallaster et al. (2012), and Boulouta and Pitelis (2011) emphasize that there is no consensus on the definition of CSR, and the concept of CSR has not remained stable over time (cf. M. D. P. Lee (2008) for an overview of definitions and approaches to CSR).

Diverse as the understanding of CSR might be, Dahlsrud (2008) finds in an analysis of 37 definitions of CSR from 27 different authors between 1980 and 2003, that the understanding of CSR is largely congruent. Assuming that laymen and scholars mainly address the same issue when speaking about CSR, for the purpose of this article we therefore subscribe to the view that firstly, CSR is the overall construct under which other concepts such as CSP and CC can be summarized, and that secondly, CSR is understood as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (European Commission, 2001). Numerous authors likewise accept this definition and apply it in research (e.g. Prieto-Carrón et al. (2006), Ingenhoff and Sommer (2011), Öberseder et al. (2011)).

In the following, we will introduce the stakeholder concept from a firm perspective and outline the three elements 'apply', 'know' and 'use' (i.e. strategic stakeholder communication) which we will draw on for the introduction of our CSR framework.

2.3.2 Introduction of the Stakeholder Concept and the Elements 'Apply', 'Know' and 'Use'

The stakeholder concept:

To introduce our CSR framework, we assume stakeholders to be the integral element through which CSR gains its significance for corporations. We also regard successful stakeholder management as a key factor for company success. In other words, "stakeholders are about the business, and the business is about the stakeholders" (Freeman, 2004, p. 231). Thus, we make use of a theory of organizational management that addresses morals and values in managing an organization, and thereby address organizational management from a perspective of strategic management of CSR. The latest since Freeman's (1984) landmark book 'Strategic Management: A Stakeholder Approach' the concept of stakeholders has become embedded in management scholarship and in managers' thinking (Mitchell et al., 1997). The concept's set up and its implications are widely discussed e.g. by Freeman (1984, 1994, 2004), Wheeler et al. (2002) or Miles (2012). The nature and salience of what a stakeholder is, is highly contested and an abundance of definitions exist (Miles, 2012). We adhere to one of the most original interpretations as detailed by Freeman (1984). From a managerial view, Freeman differentiates internal stakeholders such as employees, shareholders and managers from external stakeholders such as governments, NGOs and competitors. Former analysis frameworks suggesting to put shareholders at the center of economic activity (e.g. cf. Friedman (1962)) are increasingly developing further. They make room for other frameworks, which suggest putting stakeholders' needs at the beginning of any action, i.e. to consider stakeholder groups other than shareholders (Arvidsson, 2010; Freeman et al., 2010). In a country study in Scandinavia comprising Denmark, Sweden and Norway, Morsing and Schultz (2006) find that more than 90% of the public thinks shareholders should not be the only prime stakeholder. The sole pursuit of shareholder gains might even be harmful for shareholder and stakeholder value (Freeman et al., 2010) as stakeholder groups also include those other than shareholders "without whose support the organization would cease to exist" (Stanford memo, 1963, cited in Freeman and Reed (1983, p. 89)). CSR is the concept, which allows businesses to respond to these changing market requirements. It prevents legitimacy concerns from arising, and gives meaning to firms' actions (Arvidsson, 2010). "CSR leads corporations to refocus their strategic goals from the maximization of shareholder value to the maximization of the goals of a broader set of stakeholders" (Becchetti et al., 2012, p. 1635).

We therefore consider stakeholders (and adequate corporate relations to those) as a key requirement for a firm's sustainable operations, and as key to our introduction of the CSR framework. We further discuss the significance of stakeholders and the impact they can have on a firm in later parts of this paper.

In addition to the stakeholder concept, to introduce our CSR framework, we have identified three elements ('apply', 'know' and 'use') which we discuss in the following. Along these elements, we will then discuss the anchoring of CSR in today's business landscape and subsequently develop our CSR framework. There is no relation between the order in which we discuss the three elements and their significance for the framework.

Apply (i.e. an action/doing):

Centuries ago, action was an integral component in philosopher Immanuel Kant's principle of virtue ethics: "Adopt such a maxim of ends as can be made imperative on all mankind to adopt" (AA VI, 395 cited in Dierksmeier (2013, p. 603)). Kant consequently implies action as an integral part of his work, e.g. such as in the duty of benefice, which is respect for rightful action itself and the necessity to act as if the maxims of our actions were of universal import (Mansell, 2013). "An end is an object of the choice (of a rational being), through the representation of which choice is determined to an action to bring this object about" (Kant, 1797 cited in Mansell (2013, p. 586)). The concept of an obligation to bring an object about thus expresses the practical necessity of an action (Mansell, 2013). Nowadays, there is an ongoing debate about the significance of action and the acquisition of theoretical and practical knowledge. For instance, learning by doing has become an integral element in economics ever since it has been used within the conceptualized approach on actual activity of production (Lucas, 1988; Yang and Borland, 1991; Levitt et al., 2013). In line with previous learning by doing studies, Levitt et al. (2013) find large efficiency gains in quality and quantity of output in their analysis of an automobile assembly plant. Lucas (1988) emphasizes the equal importance of on the job training or learning by doing in comparison with schooling in the formation of human capital. Wagner and Sternberg (1987) find common sense or practical intelligence to be an ability, which counts more than IQ for managerial success. Consequently, "it is not enough to know what one should do; one must also be able to do it" (Wagner and Sternberg, 1987, p. 311). Knowledge and strategy are important elements of business success as well, however, without adequate execution gains might not be realized and might not be sustainable (Neilson et al., 2008). Sull et al. (2015) find execution to be the number one challenge of corporate leaders globally in achieving managerial excellence.

Hence, we regard 'apply', described by 'application of, doing or action', as one fundamental element to derive our framework and to discuss the role of CSR as a strategic necessity within the corporate context for stakeholder management and organizational success.

Know (i.e. knowledge/awareness):

Possession of knowledge together with the acquisition of knowledge is another essential element in Kant's theories. As Timmermann (2005, p. 249) describes "in Kantian terms: we must familiarize ourselves with rules of skill, the 'technical' kind of hypothetical imperative, telling us how best to put the ends we pursue into action". The significance of knowledge is not only embedded in Kant's theories, however, also in that of renowned management scholars in the 20th century. Hayek (1945) regards knowledge in his article ‘The Use of Knowledge in Society’ as a key determinant of economic progress. A central assumption in his work is the adequate distribution of knowledge for the design of an efficient economic system. The positive correlation between change and the need for a plan makes adequate knowledge even more important in today’s rapidly changing environment. Drucker (1978) elaborates on the significance of knowledge from a societal perspective and regards knowledge as the foundation of economy. From his perspective, knowledge has become the central factor of production in developed economies. It is applied increasingly to work itself, therefore, the corporate environment requires more and more schooled workers with high educational backgrounds. Modern societies are thus emerging increasingly as knowledge societies (Drucker, 1978). This shift also becomes evident with regard to more recent scholarly work, which sees knowledge as an important organizational competitive factor. Thereby, not only bare knowledge acquisition but e.g. also knowledge transfer is seen as an important competitive success and performance factor for large and small organizations alike (Benito-Bilbao et al., 2015; Scurtu and Neamtu, 2015), and knowledge sharing among employees in an organization should be encouraged to increase an organizations’ competitiveness (Akhavan and Zahedi, 2014).

We therefore regard ‘know’, described by ‘knowledge/awareness of’, as another fundamental element to derive our framework and to discuss the role of CSR as a strategic necessity within the corporate context for stakeholder management and organizational success.

Use (i.e. strategic communication):

Once more we draw on Kant for the discussion of ‘use’, i.e. the strategic communication of a firm’s CSR activities. In his theory, Kant discusses an action towards an ‘end’, i.e. a deliberate action with the purpose of bringing an object of choice about (Kant, 1797 cited in Mansell (2013)). The strategic use, i.e. strategic communication of CSR towards its stakeholders, is thus the pursuit of the ‘ends’ of an organization. Godemann and Michelsen (2012) emphasize the communicative perspective as follows: Communication is deeply rooted in society and only through communication human beings are able to make themselves known and share information. Through communication humans become social creatures, communication is thus key to the societal organization itself. “In summary it can be said that human behavior, social values and attitudes towards the world and environment are mediated by communication” (Godemann and Michelsen, 2012, p. 6). With respect to stakeholders, strategic CSR communication is of great importance to building confidence in stakeholders (Nwagbara and Reid, 2013a) and to maintaining their support and commitment (Olander and Landin, 2008). A firm’s proactivity towards the deployment of its CSR strategy thereby plays an important role (Torugsa et al., 2012). Especially the 'age of new media' is reshaping CSR communication for sustainability and effective stakeholder engagement, and an "effective stakeholder communication facilitates organizational success and legitimacy" (Nwagbara and Reid, 2013b, p. 400). These findings accord with Morsing and Schultz (2006) who find communication to be the means by which mutual 'sensemaking' and 'sensegiving' among stakeholders is created, and by which stakeholder concerns are adequately addressed. Managers and entire organizations thus need to ensure that communication is about 'sensemaking' and 'sensegiving' to obtain full stakeholder support, and to sustain long-term business competitiveness. Strategic stakeholder communication plays an integral part in this process (Morsing and Schultz, 2006).

Hence, for its significance for personal, societal and organizational development, we regard 'use', described by 'strategic (stakeholder) communication', as the third element to derive our framework and to discuss the role of CSR as a strategic necessity within the corporate context for stakeholder management and organizational success.

In the following section, we relate the three elements 'apply', 'know' and 'use' to the contemporary CSR environment and give examples of differing application, knowledge and strategic use. We do so by comparing CSR in developed and developing countries and by outlining current trends in CSR and stakeholder dialogue. Subsequently, we introduce our CSR framework in the corporate context.

2.3.3 Anchoring of the Elements 'Apply', 'Know' and 'Use' in Today's CSR Environment

CSR in a global context – the diversity of 'know' and 'apply':

There are regional differences with regard to the interpretation of CSR as a concept, awareness levels of CSR, and the implementation of CSR in the regional context. Differences do not only exist between developed and developing countries, but also within each of the two groups (Chapple and Moon, 2005; Visser, 2008; De Abreu et al., 2015). The CSR agenda in developed countries is similar to that of developing countries with regard to the core of the principle of CSR, often interpreted as provided by the European Commission, which is to do good to society and environment on a voluntary basis. In fact, "albeit often termed differently, there have been similar approaches towards business responsibility in society in many different countries" (Barkemeyer, 2009, p. 274). However, the practical embedding into the local context differs notably, as well as the approach by which companies and countries tackle

CSR (Welford, 2005; De Abreu et al., 2015). Despite meaningful research, which is being undertaken across the globe, developed countries still largely dominate the global CSR agenda, mainly being member countries of the Organisation for Economic Co-operation and Development (OECD) (Barkemeyer, 2009).

In developed countries, corporations tend to have a formalized CSR agenda with respective management systems and strategies put in place, which is operationalized by CSR departments (Welford, 2005; Visser, 2008). CSR is often seen in the light of environmental responsibility, developing environmentally friendly technologies, and implementing CSR respective management systems and strategies. According to Barkemeyer (2009), human rights issues, for instance, only play a minor role and are of significantly higher importance in developing countries. Moreover, vocational education, fair wages, and equal opportunities are focal points foremost of European and North American CSR activities (Welford, 2005). Especially multinational corporations (MNCs) tend to have clear communication guidelines and written policies put in place (Welford, 2005; Visser, 2008). (Mena *et al.*, 2010) emphasize the responsibility of MNCs, which often originate from developed countries, to push for more CSR in the developing world due to their more structured and professionalized approach towards CSR. However, the CSR environment among developed countries is far from being homogenous (cf. Crane and Matten (2010) for a general discussion, and Bondy et al., 2004) and Welford (2005) for a comparison of North America, Europe and Asia). In addition, differences in CSR agendas also exist within a single country. Small and medium enterprises (SMEs) in Austria for instance seem to have a notably different CSR agenda than their larger peers, and "often feature excellent responsibility performance, without realizing it and without trying to benefit from it" (Gelbmann, 2010, p. 90). Perrini (2006a) makes similar observations for Italian SMEs.

Firms in developing countries typically have a less formalized CSR agenda and tend to focus on more local issues and on issues, which are usually regulated by the government in developed countries or have already been addressed decades ago. These are e.g., tackling HIV, improving working conditions or abolishing child labor (cf. Visser (2008) for a detailed examination of the CSR agendas of developing countries and Baughn et al. (2007) for a comparative analysis of CSR levels). Moreover, especially in fragile states (i.e. those which have no stable government structures and are prone to rapid changes and market insecurity) firms tend to take on responsibilities, which are regarded government responsibilities in developed countries, e.g. improving a country's infrastructure (Visser, 2008). Philanthropy, which often lies within the indigenous aspects of culture, plays an important role on developing countries' CSR agendas as well (Visser, 2008). Jamali and Mirshak (2007) conduct semi-structured interviews in the Middle East, which reveal that "all companies consistently referred to philanthropic type activities and programs, with no mention of the importance of ethical conduct, legal compliance, or economic viability" (p. 252). Moreover, firms in developing countries often tend to view CSR as an abstract concept, and only vaguely monitor and communicate the outcome of their CSR activities to their stakeholders. CSR activities as a result of spontaneous actions which do not form part of a long-term business strategy are common among businesses as well (Jamali and Mirshak, 2007). Companies in developing countries often do not clearly communicate the results of their CSR actions, or engage in activities which can be considered CSR without being aware of it (Kemp, 2001; Jamali and Mirshak, 2007). In contrast, MNCs show a more professionalized CSR agenda, and communicate the outcome of their CSR activities more clearly. This is often based on guidance from their mother companies (Jamali and Mirshak, 2007; Gruber and Schlegelmilch, 2015).

Current trends in CSR and stakeholder dialogue – towards a strategic 'use':

More than one decade ago, expenditures on social responsibility already accounted for one third of the total budget in corporate communication departments in larger companies (Hutton et al., 2001). From 1996 to 2005, the number of CSR articles published in the European business press increased from 4 to 273 (Arvidsson, 2010). The number of Fortune 500 companies, which address at least one CSR issue, rose from 80% in 1998 (Esrock and Leichty, 1998) to 85% in 2000 (Esrock and Leichty, 2000), and reached 90% in 2005 (Kotler and Lee, 2005). These figures are supported by numerous scholars who remark an increasing demand for more CSR (Morsing and Schultz, 2006; Arvidsson, 2010; Boulouta and Pitelis, 2011; Ingenhoff and Sommer, 2011). In her study, Arvidsson (2010) finds "a distinct trend shift towards more focus on CSR in corporate communication" (p. 339), and expects CSR related communication to become the 'next trend', and a significant non-financial item in corporate communication. Thereby, communication is increasingly shifting from a reactive approach (to corporate scandals) to an active CSR communication to company stakeholders characterized by more detailed information and improved disclosures on CSR (Arvidsson, 2010). GlobeScan (formerly Environics) conducts CSR surveys on an annual basis to trace the meaning of CSR and awareness levels of CSR around the world. For its survey in 2007, GlobeScan interviewed citizens of more than 25 countries with at least a random sample of 1,000 people in each country. Their findings show strong support for increasing CSR in today's developed markets and emphasize the view that the active, ethical consumer is increasingly prevalent. Their findings equally indicate the beginning of ethical consumerism in the more prosperous parts of East Asia (GlobeScan, 2008).

The trend described above rests on the interest of a larger set of internal and external stakeholders. Globalization processes play an important role in the change of the interaction and dynamic of market participants on both a national and an international level and have led to increased social pressure (Ingenhoff and Sommer, 2011). Stakeholders have an increasing interest in a firm's sustainable and socially responsible operations and look for meaning and authenticity in a company's behavior (Ingenhoff and Sommer, 2011; Vallaster et al., 2012). This requires firms to better monitor their stakeholders, and to put in place more sophisticated CSR strategies and respective communication (Vallaster et al., 2012). "Organisations need to legitimise their behaviour in order to be accepted and supported by society. […] With respect to topics, the CSR activities of the companies correspond in general to the stakeholders' expectations." (Ingenhoff and Sommer, 2011, p. 73).

According to Morsing and Schultz (2006), communication regarding a corporation's social engagement has the potential to trigger strong reactions among stakeholders. Consumers reward corporate brands, but they also punish corporations if these behave socially irresponsible, e.g. by avoiding a firm's products or speaking negatively about the firm (Kucuk, 2010; Sweetin et al., 2013). Thus, if organizations fail to deliver what stakeholders expect, the consequences can be significantly negative. When companies engage socially and speak about their CSR activities, they need to face stakeholders' distrust of and cynicism about corporate ethics (Schlegelmilch and Pollach, 2005), as well as the risk of being accused of engaging in CSR merely for marketing purposes (Van De Ven, 2008). In addition, there are sometimes conflicting stakeholder demands (Freeman, 1984; Wheeler et al., 2002; Öberseder et al., 2011). Not all stakeholders can exercise equal pressure on companies and are thus not equally important to a firm's long-term success (Mitchell et al., 1997; Cummings and Doh, 2000). Firms should therefore endeavor to understand their stakeholders profoundly, and to adjust their brand strategy according to stakeholder expectations (Van De Ven, 2008; Sweetin et al., 2013). Socially responsible corporate conduct and policies can further marketing and business goals if they are managed from a strategic marketing perspective (Van De Ven, 2008). A firm's ethical and socially responsible initiatives should focus on its key stakeholders, i.e. those which have the highest impact on the organizations long-term success (Mitchell et al., 1997; Wheeler et al., 2002; Maignan and Ferrell, 2004).

Influencing factors on the degree of engagement in CSR:

There are several factors, which determine the degree of corporate engagement in CSR. Stakeholder pressure is among one of the most prominent factors to correlate positively with a firm's CSR engagement (Branco and Rodrigues, 2006; Agudo Valiente et al. 2012; Zyglidopoulos et al., 2012). The more exposure, i.e. visibility, a firm has to its stakeholders, the more scrutiny it is facing. Fiss and Zajac (2006) propose media coverage as a direct indicator of firm visibility. Consequently, media coverage is a major determinant of corporate social and ethical engagement (Zyglidopoulos et al., 2012). The reasons behind are more diverse stakeholder demands (Fiss and Zajac, 2006) and the subsequent pressure to adapt to multiple sources through respective CSR measures (Zyglidopoulos et al., 2012). In addition, as firms with increased exposure to their stakeholders are more prone to criticism and thus crisis, they tend to take precautionary CSR measures, and prepare for potential future incidents (Godfrey, 2005). Company size is an indirect determinant of firm visibility (Fiss and Zajac, 2006). Branco and Rodrigues (2006), Perrini et al. (2007) and Agudo Valiente et al. (2012) confirm that large companies are more prone to stakeholder pressure and thus have an increased need for a formal CSR strategy. Consequently, a firm's decision to assure a CSR report, as an example for a precautionary measure, is positively associated with media visibility (De Beelde and Tuybens, 2015), and firm size (Sierra et al., 2013; De Beelde and Tuybens, 2015). Internationalization, CSR awareness and the perception of stakeholder pressure are other factors influencing a firm's social performance (Chambers et al., 2003; Agudo Valiente et al., 2012). For further theoretical foundations on the driving forces of CSR see Aguilera et al. (2007) for a stakeholder based approach and Campbell (2007) for an approach based on institutional theory.

In the following section, we introduce a CSR framework. This framework is the result of an attempt for a structured discussion of manifold CSR activities in the light of a respective corporate setting. The framework shows the necessity for strategic management of CSR initiatives and the dominance of some categories in the matrix. The characterizations arise from a differing interpretation of CSR and an ever-changing CSR environment and requirements depending on the local context.

2.4 A CSR Framework in the Corporate Context

Drawing on the stakeholder concept and the three elements 'apply', 'know' and 'use', the following framework embeds CSR in the corporate context. The framework facilitates the understanding of the contemporary corporate social and ethical engagement landscape of organizations and it underlines the significance of a sound knowledge of and approach towards CSR. It also allows deferring strategic options for action and can thus serve as a basis to develop a company's CSR strategy.

The framework consists of the three previously discussed disjunct dimensions of a CSR strategy: 'apply' (A), 'know' (K) and 'use' (U) together with each of the dimensions' negation.

'Apply'-Dimension: Refers to the application of CSR. That means, firms either apply certain elements in their operations, which are considered CSR in the environment where the firms operate (apply), or they do not include any of those elements (not apply). As discussed earlier, there is no universally accepted definition of CSR and the concept of CSR changes with regard to the context (e.g. especially geographical context) in which the firm operates. Thus, the corporate environment has to be considered carefully for an assessment of whether an activity is classifiable as CSR.

'Know'-Dimension: Refers to firms' knowledge of CSR and the consequences of their social engagement if communicated to their stakeholders. That means, firms either know about CSR as a concept, are aware of it when they implement CSR measures, and are aware that the measures taken trigger a reaction by their stakeholders if communicated (know), or they do not know about the concept of CSR and the consequences of their social engagement (not know). Unlike the other two elements, know does not include any action; it solely describes the level of awareness.

'Use'-Dimension: Refers to the strategic use of CSR. That means, firms either apply stakeholder-oriented communication strategies and inform about their engagement in socially responsible activities (use), or they do not use CSR strategically (not use). Use does not indicate e.g. which CSR measure should be chosen. Use means solely that firms' make use of stakeholder-oriented communication regarding their CSR engagement.

The combination of the three elements defines the CSR strategy of a company and represents basic dimensions on how firms face CSR. In total, eight different combinations of the three elements exist. By these, we categorize companies with regard to their engagement in socially and ethically responsible activities. Each category is given a specific name to describe the firms characterized by the specific combination. Table 2.1 below gives the graphical representation of the dimension's combinations, which we coin the 'Apply-Know-Use Matrix' (or 'AKU Matrix' for short).

Table 2.1: Apply-Know-Use Matrix with its eight possible characterizations.

	Apply	Not Apply	
Know	Blue Chip	Intentional Deceiver	**Use**
Not Know	Beginner	Triple Zeros	**Not Use**
Know	Laissez-Faire	Question Marks	**Not Use**
Not Know	(Un)Lucky Follower	Foolish Deceiver	**Use**

For each field in the matrix we describe characteristics of firms belonging in a respective category. Combinations are

1) 'Blue Chip' (A-K-U): These firms apply certain CSR measures as part of their operations (i.e. there are elements in their business, which are considered CSR in the environment where the firms operate). These firms also know about the concept of CSR and the consequences of their social engagement if communicated to stakeholders. Finally, these firms use their social engagement strategically for the benefit of the firm via respective stakeholder communication. MNCs are often part of this category, especially from extractive industries.

2) 'Beginner' (A-nK-nU): These firms apply certain CSR measures as part of their operations, however, they are neither aware of it, nor are there signs that they are trying to exploit CSR for the benefit of the firm. SMEs, especially in developing countries, are among those companies. This type of CSR is also considered as 'silent CSR'.

3) '(Un)Lucky Follower' (A-nK-U): These firms have some elements of CSR in their operations and apply a respective stakeholder communication. However, they are unaware of the concept of CSR and the consequences of their social engagement when communicated to their stakeholders. Firms in this category often closely follow their peers. By imitating others, they therefore either successfully (Lucky Follower) or unsuccessfully (Unlucky Follower) apply CSR to their corporate agenda and communicate accordingly. If the type of CSR activity applied and the communication strategy match stakeholder expectations, the effect for the firm is positive. Examples of these firms include SMEs and larger regionally strong corporations trying to copy MNCs.

4) 'Laissez-Faire' (A-K-nU): These firms apply CSR, and are well aware of the concept of CSR. However, they do not try to use CSR strategically for the benefit of the firm and thus do not communicate explicitly to their stakeholders. Examples of these companies are prosperous family-owned businesses. Laissez-Faire is another example for practicing 'silent CSR'.

5) ‘Question Mark’ (nA-K-nU): These firms do not have any CSR measures put in place, and thus do not try to exploit CSR strategically for the benefit of the organization. However, they are well aware of the concept of CSR. Firms of any context can fall into this category.

6) ‘Foolish Deceiver’ (nA-nK-U): These firms neither have any elements in their operations, which can be considered CSR, nor are they aware of the concept of CSR. However, through respective communication they make their stakeholders believe they engage in CSR. These firms are therefore similar to the ‘(Un)Lucky Follower’, however, fraudulent, as there is no application of CSR which justifies the strategic use. Firms of any background can fall into this category.

7) ‘Intentional Deceiver’ (nA-K-U): These firms do not engage in CSR, however, are well aware of the concept and consequences of applying CSR. They also strategically exploit CSR for the benefit of the organization through respective stakeholder communication. Firms in this category are similar to the ‘Foolish Deceiver’, however, their intentional misrepresentation of circumstances indicates a higher degree of fraud. Firms of any context can fall into this category, especially those with low supervision, high competition, and high stakeholder expectations.

8) ‘Triple Zeros’ (nA-nK-nU): These firms do not have a notion of CSR, and consequently do not apply or strategically use CSR. They operate in an environment ideally according to legal requirements. However, there is no engagement in social activities on a voluntary basis. Firms of any background can fall into this category, especially companies from developing countries.

2.5 Discussion of the Framework

The differences among the categories, and thus each company’s CSR agenda, can be significant. To gain better insights into the implications of the framework, we discuss two major issues, namely:

1) Which influence do stakeholders have on a firm’s positioning in the AKU Matrix?

2) Are there one or more categories, which are dominant with respect to firm strategy and long-term business success?

2.5.1 Stakeholder Influence on a Firm’s Positioning in the AKU Matrix

As outlined previously, stakeholder theory is an integral concept in our discussion. Stakeholder theory is often discussed in association with CSR, and the importance of adequate stakeholder management with regard to CSR is emphasized (Morsing and Schultz, 2006; Arvidsson, 2010; Ingenhoff and Sommer, 2011; Zyglidopoulos et al., 2012).

Considering firms globally, we can most likely populate any of the categories. Some CSR agendas might be more, others less prevalent. The actual categorization of a firm depends on its background, i.e. the environment it is operating in, and stakeholder expectations and requirements. For instance, some firms might have no notion of CSR, and their stakeholders do not expect them to engage in any activity, which is considered CSR in the respective context. Consequently, firms of the type 'Triple Zeros' (nA-nK-nU) or 'Beginner' (A-nK-nU) are likely to be found in such an environment. Other firms, especially MNCs, more likely have a large and powerful set of stakeholders who have a good notion of CSR such as the media, NGOs and customers. Under these circumstances, a firm of the type 'Blue Chip' (A-K-U) is likely found in such an environment. The positioning in the AKU Matrix, i.e. a firm's CSR agenda, is therefore depending on its stakeholder environment. This notion coincides with Arvidsson (2010) and Ingenhoff and Sommer (2011) who find that stakeholder pressure drives CSR, i.e. the need to legitimize the actions of the company. For instance, consider a firm in the category 'Question Mark' (nA-K-nU) which suddenly experiences an increasing demand from stakeholders for more CSR. This firm thus has to change its current position to continue to satisfy the demands of its stakeholders. If it does not change its strategy, it is likely facing stakeholder punishment such as negative media coverage or avoidance of its products (Van De Ven, 2008; Kucuk, 2010; Sweetin et al., 2013). If a firm attempts to ease stakeholder pressure, it can change from the category 'Question Mark' (nA-K-nU) to the category 'Blue Chip' (A-K-U), implement CSR measures and communicate them to its stakeholders accordingly. Alternatively, the firm can choose to become an 'Intentional Deceiver' (nA-K-U), and only pretend to implement CSR measures and thus communicate false information to its stakeholders. The latter is not the preferred option by market participants. However, market conditions and management attitudes might allow for fraud. Eventually, the interaction of multiple internal stakeholders like managers and employees, and external stakeholders like consumers and NGOs, will determine a firm's positioning in the AKU Matrix.

It is not a firm's own initiative on a truly voluntary basis to engage in socially responsible activities. Instead, it is a reaction to the needs of its stakeholders, whereby foremost the influential stakeholders determine a firm's engagement in CSR (Maignan et al., 2005). The three key attributes, which determine a stakeholder's significance, are power, legitimacy and urgency (Mitchell et al., 1997). Influential stakeholders could be stakeholders of capital providing nature like shareholders, or those with great public reach like the media or NGOs. Firms of any background might still engage in CSR even without stakeholders demanding it. As we discuss later on, however, this will likely present a wasteful activity from a firm perspective, i.e. an activity, which does not add a benefit for the firm. Thus, we consider stakeholders a key influencing factor to determine a firm's categorization in the AKU Matrix.

2.5.2 Dominant Categories with Respect to Firm Strategy and Long-term Business Success

In the following, we discuss each category of the AKU Matrix to tackle the second question. If possible, we cluster characterizations for simplicity reasons. We start our discussion of the categories with the least likely sustainable CSR agendas.

Fraudulent behavior:

The characterization 'Intentional Deceiver' (nA-K-U) implies fraud. We argue this CSR agenda is not a sustainable business strategy. If fraud is discovered, reputational damages for the organization are considerable and might include legal prosecution. Other sanctions by the market might follow. Firms with a CSR agenda of the 'Foolish Deceiver' (nA-nK-U) are similar to the Intentional Deceiver. There is no engagement in an activity supporting the respective stakeholder communication. If market participants uncover this gap, the consequences for the Foolish Deceiver might be less adverse than for Intentional Deceiver as no direct fraud is implied. However, stakeholders likely still sanction the firm. We therefore regard the two categories, which imply any type of fraud, as characterizations under which long-term business success is highly unlikely.

Lack of knowledge:

An unknowledgeable firm might perform as well as its competitors simply by imitating them. If that is the case, it can be considered a 'Lucky Follower' (A-nK-U). At any point in time, however, a 'Lucky Follower' might become an 'Unlucky Follower' (A-nK-U), as no two firms are exactly alike and actions taken by another firm might not always be a proper response to a specific situation the 'Follower' firm is facing. Waste of resources or reputational damage are possible results, likely leading to deteriorating firm performance. The 'Beginner' (A-nK-nU) type firm engages in CSR activities without having knowledge of CSR or strategically using the concept. Stakeholders might not require this firm's type of CSR, or they might not require any engagement in CSR at all. Thus, activities possibly do not represent a benefit to the organization. Vice versa, the 'Triple Zeros' (nA-nK-nU) could miss essential engagement in CSR and respective communication, which has the potential to improve the firm's relation with its stakeholders and thereby corporate financial performance. We therefore regard the remaining three categories, which imply no knowledge of CSR, as conditions under which long-term business success is highly unlikely.

'Laissez-Faire' (A-K-nU):

Firms practicing this type of CSR, also known as 'silent CSR', dedicate some of their (financial) resources to socially responsible engagement, and they are well aware of the concept. These firms, however, do not strategically communicate their engagement to their stakeholders. On the one hand, the firm's stakeholders may disapprove an engagement in CSR or may not care about the engagement in CSR. In this case, the engagement in CSR does not add value for the firm, but instead it absorbs its resources. On the other hand, stakeholders may favor a company's engagement in CSR. In this case, the firm misses additional benefits (e.g. an increased sale of products, better employee morale and improved talent recruiting, cf. Jones et al. (2014)) which it would receive by communicating the CSR engagement to its stakeholders. In both cases resources are not used as efficiently as possible. In case competitors apply strategic communication, thereby using resources more efficiently, they likely threaten the firm's competitive position in the long term. We therefore regard this category, which implies an application but no use of CSR, as a condition under which long-term business success is highly unlikely.

'Question Mark' (nA-K-nU):

Firms in this category are well aware of the concept of CSR, however, for several reasons neither apply nor use it. An example would be a company, which is new to a market or for which management has only recently learned about strategic CSR and still needs to develop an appropriate CSR strategy. This firm is of the type 'new joiner'. Alternatively, a firm knows about the concept of CSR, however, simply neglects a strategic engagement. This firm is of the type 'ignorant'. A firm may also question the benefit it derives from an engagement in CSR, which makes its choice not to engage in CSR a thought through decision. This firm is of the type 'considerate'. If firms do not apply or use CSR because they belong to the type 'new joiner' or the type 'ignorant', their strategy is not sustainable if stakeholders demand CSR. A firm in the category 'Question Mark' only acts sustainably if it has deliberately decided not to engage in CSR for stakeholder expectations, i.e. is firm type 'considerate'. This decision is sensible if stakeholders put no importance into an engagement in CSR. The firm thus allocates its resources most wisely to those items, which its stakeholders regard as value-add items. Those might be, for example, improved production processes or an investment in company R&D. If stakeholders start pushing for CSR, the firm can deliberately shift towards an active socially responsible engagement, with a respective communication strategy in place. Thus, it becomes a 'Blue Chip' (A-K-U).

'Blue Chip' (A-K-U):

Firms in this category apply CSR, have knowledge of their CSR engagement and clearly communicate the outcomes of their engagement to their stakeholders. They thus have a well-established CSR agenda. Today, foremost MNCs and large organizations from developed countries can be found in the categorization we define as 'Blue Chip', they thus regard 'apply-know-use' as the dominant CSR agenda. Firms circumvent stakeholder criticism by putting respective CSR measures in place, and by clearly informing their stakeholders about their actions. If stakeholders do not demand CSR engagement (anymore), 'Blue Chip' is no longer the dominant CSR agenda. To continue to use resources most efficiently, the firm can change from 'Blue Chip' to 'Question Mark'. Its strategy vis-à-vis CSR thus best respects stakeholder expectations.

Table 2.2 below shows the framework with the two dominant categories highlighted:

Table 2.2: Apply-Know-Use framework highlighting the two strategically relevant categories.

	Apply	**Not Apply**	
Know	Blue Chip	Intentional Deceiver	**Use**
Not Know	Beginner	Triple Zeros	**Not Use**
Know	Laissez-Faire	Question Mark	**Not Use**
Not Know	(Un)Lucky Follower	Foolish Deceiver	**Use**

As demonstrated, depending on stakeholder preferences either the CSR strategy 'Blue Chip' or 'Question Mark' leads to long-term business success and a competitive advantage. However, we see an increased stakeholder interest in a firm's socially responsible and ethical behavior (see also Morsing and Schultz (2006), Arvidsson (2010), Boulouta and Pitelis (2011), Ingenhoff and Sommer (2011) and Vallaster et al. (2012)). Following this line of thought, we argue 'Blue Chip' to be the dominant CSR agenda in today's increasingly globalized world. This agenda is dominant especially in markets in which explicit CSR is rising due to legitimacy processes (cf. Matten and Moon (2008) for a discussion of 'implicit' and 'explicit' CSR). Our analysis also highlights the importance of a sound understanding of the concept of CSR with the opportunities of its application and threats of its ignorance.

2.5.3 Implications on the Relevance of CSR

CSR is strategically important for firms (Loureiro et al., 2012), and “CSR strategies should be explained through a business and a profit perspective and by no means from an ethical one” (Pesmatzoglou et al., 2014, p. 189). We have shown that CSR in any form cannot be a truly voluntary action, but rather is a firm’s optimal (re)action vis-à-vis its stakeholders. If the latter does not hold, the engagement in CSR likely is of no benefit to the firm and presents a wasteful activity from a corporate perspective. The definition given by the European Commission, which we have previously adopted for our discussion of CSR, can therefore be considered misleading. Among others, Blowfield and Frynas (2005) criticize the emphasis on voluntarism and argue that stakeholders of an organization define whether there is a need for CSR. The concept thus shifts to appear as ‘Corporate Strategic Responsiveness’ instead of ‘Corporate Social Responsibility’, which cannot be seen as a truly voluntary engagement.

The paradigm of a firm’s sole responsibility to make profits (Friedman, 1962; Baumol and Blackman, 1991), largely prevails in today’s world. According to Cochran (2007) companies will engage in CSR or any other activity only to the extent to which, from a business perspective, it makes sense for them to do so, either by creating direct profits or by maintaining their status quo. Ideally, rational managers engage in corporate philanthropy up to a strategically optimal level because such activity benefits shareholders (Godfrey, 2005). Thereby, a firm’s limitation of wasteful activities is essential, for which reason some CSR agendas in the AKU Matrix are not sustainable. As demonstrated, a firm’s active debate on CSR against the background of stakeholder requirements is the only way to achieve long-term business success. Unlike the prevailing paradigm in the past decades, we argue a firm’s responsibility is not only to create financial profits for its shareholders, however, to create profits for a larger set of stakeholders. The degree of involvement and the type of ‘profit’ (i.e. benefit) created through an engagement in CSR depend on the requirements and background of the respective stakeholder group. It can range from the sourcing of fair-trade cotton to satisfy customers to the installation of coffee-machines to satisfy employees. Shareholder value maximization as directly advocated by Friedman (1962) and indirectly by Cochran (2007) will be an effect of such conduct of business.

2.6 Conclusion

In this paper, we develop a CSR framework in the corporate context and find two of the eight possible combinations in the resulting 'Apply-Know-Use Matrix' (AKU Matrix) to be dominant CSR strategies. We show that CSR is a strategic necessity in business management and thereby contribute to its introduction in the corporate context, as we argue it to result in a competitive advantage and in long-term business success for firms. Our findings suggest that a firm needs to develop a CSR agenda which satisfies stakeholder demands, even if it is an agenda which requires no engagement in CSR ('Question Mark' (nA-K-nU)). If there is no strategic approach to CSR, the firm either misses advantages or engages in a wasteful activity, i.e. an activity which does not add a benefit. If competitors use resources more efficiently and beneficially, they outperform the firm in the long term. We argue that there are two dominant strategies towards CSR. Both strategies require an active discussion of CSR within firms, a thorough analysis of stakeholder demands and organizations to develop a conscious approach towards CSR. The first dominant CSR agenda requires an engagement in CSR and an active communication of a firm's engagement ('Blue Chip' (A-K-U)). The second dominant CSR agenda requires no engagement in CSR and no strategic communication, however, still requires knowledge about CSR ('Question Mark' (nA-K-nU)). Given the substantial changes over the last years towards more stakeholder activism and interest in ethical consumerism, we consider 'Blue Chip' (A-K-U) as the increasingly dominant CSR agenda.

CSR is an integral component of doing business, and firms globally should have knowledge of the concept and ideally develop an own approach regarding their social engagement. CSR is also a strategic tool, and the conceptual framework developed in this paper can serve as a basis to firms realizing in which category they belong and to develop subsequently a CSR strategy. Our results also have an implication for stakeholders. If they want firms to act more socially responsible, they need to set the frame accordingly to trigger an engagement in CSR. Policy makers, governments, NGOs and other stakeholders can exercise their power and give direction to organizations towards doing business for greater social welfare. There is no business case for firms to engage in a possibly wasteful activity. Without respective demands CSR is reduced to altruism, which likely few firms can afford in the long run.

This paper is a conceptual one and thus points to areas of interest which future research could be built on. Firstly, we do not apply our framework empirically and thus suggest for future academic work to test the framework developed in this paper. For instance, it is debatable whether any firm can be classified in the two categories which imply no knowledge of CSR, but a strategic use ('(Un)Lucky Follower' (A-nK-U) and 'Foolish Deceiver' (nA-nK-U)). Empirical research could be conducted by taking a sample of firms and identifying their respective categories, by testing whether all categories are populated or by determining whether the framework's set-up and its implications withstand expert opinion. In addition, it would be interesting to empirically research whether firms from different countries of origin systematically belong to specific categories. Secondly, we used the three elements 'apply', 'know' and 'use' with regard to CSR and were able to show via a matrix analysis that CSR is a strategic necessity in business management. Future research could test the robustness of our results by redefining the matrix using elements other than the ones presented here.

3 Mandatory Sustainability Reporting in Germany: Does Size Matter?

3.1 Publication Details

Abstract: This article studies how German firms evaluate a recent national corporate social responsibility (CSR) law based on a European Union directive and the burden they expect regarding their organizational responsibilities due to mandatory sustainability reporting. One hundred and fifty-one firms of different sizes directly or indirectly affected by the law are included in the survey and their responses empirically analyzed using two-tailed t-tests and simple linear regression. Anchoring the discussion in stakeholder theory and the small and medium-sized enterprise (SME) literature while considering large-firm idiosyncrasies, the results show differing effects on SMEs and large firms as well as firms which are directly and indirectly affected. Findings show that firm size only matters for the evaluation of the law by directly affected firms, while size does not matter in the case of indirectly affected firms. Possible moderators of this evaluation are grounded in the resource-based theory and formalization of CSR. This article contributes to the understanding of when firm size matters in the case of mandatory sustainability reporting and underlines the role of organizational resources and capabilities as well as the special position of SMEs.

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Keywords: SMEs; sustainability reporting; competitive advantages; stakeholder theory; resource-based view; formalization of CSR

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3.2 Introduction

Sustainable change is influenced by many different sources. One such influence is the top-down regulation implemented by policy makers. This study examines a recent and unprecedented case of regulation in Germany: the law to strengthen the non-financial disclosure of companies in their management reports and group management reports from April 2017, i.e., the 'CSR Directive Implementation Act' (CDIA). The CDIA serves the implementation of European Union Directive 2014/95/EU on non-financial disclosure by the European Parliament and the Council from October 2014 into national German law. The EU directive defines requirements for the reporting on social, economic and environmental topics. Having passed the CDIA "is seen as a milestone on the road to sustainable development" (German Council for Sustainable Development, 2017).

The CDIA is designed as a mechanism to further root CSR within overall society, yet, it only directly affects firms with more than 500 employees and capital market interest; small and medium-sized enterprises (SMEs) are not addressed (Coenenberg and Fink, 2017; European Commission, 2017). The same size criterium of up to 500 employees is applied for the definition of SMEs, as the 'German Mittelstand' (i.e., German small and medium enterprises) has a unique significance for the economy; sometimes, firms with more than 500 employees are also included within the group of SMEs if they meet certain financial criteria (IfM Bonn, 2018). Moreover, SMEs are an integral component of the European and German economy: they represent around 99% of all businesses in Germany, and provide labor to around 60% of total German employees (Destatis, 2015).

According to the European Commission (2014) "millions of EU SMEs will have no new obligation whatsoever". However, the CDIA requires directly affected large firms to ensure compliance throughout the supply chain, i.e., the compliance of suppliers and subcontractors (Deinert et al., 2015; Coenenberg and Fink, 2017). Despite no direct obligations for most firms, the European Commission (2014) thus notes "as companies of all sizes develop their businesses, they are likely to experience transparency demands from their customers, employees, consumers, investors, lenders and other business partners and stakeholders." This discrimination therefore gives ground for the assessment of the CDIA in the context of a debate that started decades ago. The debate is around an SME-specific approach to CSR (Spence and Lozano, 2000; Tilley, 2000; Jenkins, 2006; Murillo and Lozano, 2006), and the often vulnerable position of SMEs within supply chains, making them prone to large firm dominance (Jenkins, 2004; Ayuso et al., 2013). The supply chain literature provides ample evidence of the sometimes difficult position of SMEs within supply chains (Castka and Balzarova, 2008; Ayuso et al., 2013; Knudsen, 2013). The debate is moderated by firm resources and capabilities, as a result of their significant effect on a company's ability to engage in CSR measures (Sharma et al., 2007; Aragón-Correa et al., 2008; Torugsa et al., 2012; Leonidou et al., 2017), as well as the formalization of CSR, due to the consequences of the CDIA and the possible bureaucratic burden for firms (Perrini, 2006b; Fassin, 2008).

Researchers (Coenenberg and Fink, 2017; Saenger, 2017; Velte, 2017) and institutions (European Commission, 2014) acknowledge the CDIA's effect on firms of different sizes, such as additional cost and possibly costly consultant work for directly affected firms, as well as an indirect effect on SMEs. However, to date, the discussion has remained largely hypothetical about actual consequences and vague about the impacts on firms of different sizes: for instance, studies take an accounting perspective or analyze financial reporting and examine the effects of (anticipated) mandatory reporting and the disclosure of sustainability issues on the firms concerned with engagement in CSR (Fiechter et al., 2017; Venturelli et al., 2017), while others consider firm CSR activities and the influences on firms' disclosure practices or other organizational processes (Ioannou and Serafeim, 2017; Jackson et al., 2017), formalize CSR (Perrini et al., 2007; Fassin, 2008; Perrini and Minoja, 2008) or evaluate the effects and diffusion of voluntary sustainability reporting such as the Global Reporting Initiative (GRI) framework or International Organization for Standardization (ISO) standards on businesses (Corbett and Kirsch, 2001; Hashem and Tann, 2007; Nawrocka, 2008; Brown et al., 2009; Hahn, 2013).

Sustainability reporting dates back decades; however, it has gained prominence especially during the last two decades across the globe due to an increased stakeholder demand for greater transparency (Hahn and Kühnen, 2013; Siew, 2015). According to Siew (2015), corporate sustainability reporting tools (SRTs) can be classified into three categories: these are frameworks (i.e., principles, initiatives or guidelines such as the GRI framework, Carbon Disclosure Project, Sustainability Accounting Standards Board guidelines and the International Integrated Reporting Council Framework), standards (i.e., more formalized and specified documentation that can be followed such as SA8000 and ISO14001) as well as ratings and indices (i.e., third party evaluation of a corporation's sustainability performance such as the KLD, Dow Jones Sustainability Index and FTSE4Good Index). While SRTs or requirements for national levels such as the Italian 'Il bilancio sociale d'impresa' and the German 'Sozialbilanz' can be highly recognized and impactful, they are not comparable to the CDIA. SRTs as well as most national reporting requirements are voluntary (Stiller and Daub, 2007; Siew, 2015; Manes-Rossi et al., 2018); others focus on a certain sector (e.g., the Global Real Estate Sustainability Benchmark) or issue (e.g., the Carbon

Disclosure Project). The few national mandatory initiatives, for example, in France or in Spain, had low firm compliance, possibly due to a lack in specificity, unclear sanctions in case of non-compliance, and thus a lack of normativity (Delbard, 2008; Bebbington et al., 2012; Chauvey et al., 2015).

The impact of mandatory sustainability reporting on directly and indirectly affected firms of different sizes, measured in an empirical study, has not yet been assessed and deserves further attention. This study closes this gap and outlines firms' expected burden on the organization as a result of the CDIA. There is an increased focus in understanding the role that firm size as well as the existing formalization of CSR and resources and capabilities play in this evaluation of the CDIA. Taking on survey research, the study empirically assesses these parameters as well as the previously gained experience in the field of CSR and the role of stakeholders.

The study contributes to the understanding of when firm size matters in the case of mandatory sustainability reporting and underlines the role of organizational resources and capabilities as well as the special position of SMEs. At an academic level, it contributes also to the SME and regulatory literature while outlining the significance of stakeholders and related pressures in the context of mandatory sustainability reporting. At a business management level, the study highlights the relevance of taking a clear and possibly formalized approach to sustainability and points out firms that might require support by policy makers. The focal literature and theoretical angle are the SME literature together with stakeholder theory as well as the resource-based view (RBV) of the firm and the literature on the formalization of CSR. To collect the necessary data for the study, German firms were surveyed.

The paper continues as follows: the following section places this research within the academic literature and discusses CSR in small and large firms as well as the role of the CDIA. Furthermore, moderating effects from RBV theory and formalization of CSR are derived. The third section outlines the research methodology and the data collection process, before continuing with the analysis and discussion of the data. The last section outlines implications of the findings and concludes with suggestions for future research.

3.3 Theoretical Foundations and Hypotheses Development

3.3.1 Small Firm–Large Firm CSR and the Role of the CDIA

There is no single approach to CSR, especially not for firms of different sizes (Spence and Rutherfoord, 2003; Spence et al., 2003). In the discussion of CSR, however, differences among firms of different sizes, especially the two groups commonly titled as 'SMEs' and 'large firms', have often been neglected. Many scholars criticize this approach as the simple transfer of the concept of CSR from large to small businesses, and perhaps even its terminology, is not possible or in any case misleading (Tilley, 2000; Spence and Rutherfoord, 2003; Jenkins, 2004; Murillo and Lozano, 2006; Fassin, 2008). CSR activities and ethical standards developed for large firms may not be appropriate for SMEs (Enderle, 2004), and should be adapted to the different structures of SMEs (Jenkins, 2006; Murillo and Lozano, 2006). Business ethics concepts applied in large firms are based on bureaucratic administrative structures requiring substantial resources (Spence et al., 2003).

In the CSR discussion, large firms are often taken as the norm and approaches are scaled-down for SMEs, thereby neglecting differences such as organizational structures and management styles (Sen and Cowley, 2013), fewer customers, a focus on immediate issues instead of long-term strategy and a flat hierarchical structure of SMEs (Hudson et al., 2001; Hyvonen and Tuominen, 2006). Moreover, due to SMEs' focus and relative lower resources, they frequently lack the use of sophisticated sustainability management tools or systems (Spence et al. 2003; Hahn and Scheermesser, 2006; Murillo and Lozano, 2006) and their engagement in issues beyond their day-to-day business is often low (Tilley, 2000). However, SMEs show a greater ability to adjust more flexibly and responsively to dynamics in the business environment compared to large firms (Spence and Schmidpeter, 2003; Jenkins, 2006). Some authors also find that SMEs have a greater willingness compared to large firms to recognize the importance of having responsible behaviors along the supply chain (Perrini et al., 2007). Despite SMEs' general flexibility and willingness to assume supply chain responsibility, however, there are numerous factors negatively affecting SME engagement in pro-social activities (Hitchens et al., 2005; Hörisch et al., 2015).

Considering the above, CSR regulation should be expected to foresee an SME-specific approach. Directive 2014/95/EU acknowledges differences among SMEs and large firms by only affecting certain large firms. However, the directive does not propose an SME-specific type of regulation. Directly affected firms are capital market-oriented corporations as well as large credit institutions and insurance companies with more than 500 employees on average in a financial year, and a balance sheet total of more than 20 million euros or a turnover of more than 40 million euros (European Parliament and Council, 2014). Germany adapted the directive as proposed by the EU: i.e., the Bundestag (the lower house of German Parliament) has accepted the minimum requirements of the EU without any amendments and transformed it into German law. The law neither applies to SMEs, nor to subsidiaries included in the consolidated reporting of the headquarters (Bundestag, 2017). Most large firms, however, will not be able to report appropriately on their supply chain and will thus need to bind suppliers and subcontractors into the reporting process (Coenenberg and Fink, 2017).

Suppliers and subcontractors, small and large alike, likely must comply with standards set by their customers and can thus be indirectly affected by the CDIA, possibly leading to exclusion of the supply chain if they fail to comply (European Parliament and Council, 2014; Coenenberg and Fink, 2017; Saenger, 2017; Velte, 2017). In addition, the CDIA may counter de-bureaucratization (Coenenberg and Fink, 2017) and imply costly consultant and audit work (Saenger, 2017). The largest risk for SMEs is often financial and operational risk (Jenkins, 2004). They may thus view the formalization of CSR through reports and audits critically as counterproductive due to its drawback of bureaucracy. Formalized CSR may make sense only to a small number of SMEs with special characteristics (Fassin, 2008). The criticism of adverse effects of the bureaucratic burden for SMEs and top-down pressures from customers indicating large firm dominance is highlighted by practice and the academic literature (Jenkins, 2004; Fassin, 2008; Sen and Cowley, 2013).

Since Freeman's (1984) work more than three decades ago, stakeholders have become an integral part of management research, and a great body of literature applying stakeholder theory has developed. “The stakeholder approach is about groups and individuals who can affect the organization and is about managerial behavior taken in response to those groups and individuals” (Freeman, 1984, p. 48). Stakeholder theory consequently assumes organizations have stakeholders, i.e., individuals or groups, who “can affect or are affected by the achievement of an organization’s purpose” (Freeman, 1984, p. 49). Managing relationships with key business stakeholders has become essential for value generation (Hamman et al., 2010). For SMEs, their buyers are often their most salient stakeholders, as other stakeholders such as non-governmental organizations (NGOs) and the media do not scrutinize them. Any stakeholder or key agent for a firm will be able to exert pressures that will influence the depending firm (DiMaggio and Powell, 1983) and thus can create a demand for the adoption of new organizational sustainability practices, both via formal and informal pressure (Castka and Balzarova, 2008). Their position “can compel small companies to adopt voluntary standards in order to maintain a relationship with the customer. Similarly, SMEs may be obliged to address CSR due to the increasing take-up of ethical codes of practice by their large customers, which create pressure for demonstrably responsible behavior within the supply chain” (Jenkins, 2004, p. 45).

The following hypotheses are put forward:
H1.1. *Larger firms directly affected by the CDIA will expect to incur a lower burden of organization due to the CDIA than directly affected smaller firms.*
H1.2. *Large firms indirectly affected by the CDIA will expect to incur a lower burden of organization due to the CDIA than indirectly affected SMEs.*
H2. *Large firms indirectly affected by the CDIA will expect to incur a lower burden of organization due to the CDIA than directly affected large firms.*
H3. *Large firms indirectly affected by the CDIA will indicate a lower necessity to adapt to their customers’ standards than indirectly affected SMEs.*

3.3.2 The Role of Firm Resources and Capabilities in CSR

SMEs usually have little slack in terms of resources. They cannot easily spend money without losing financial capital; thus, their focus is on activities that are believed to increase their bottom line. Only if ethical engagement is not expected to increase pressure on financial performance and operations and management time—hence, not to possibly negatively impact profits—may SMEs consider it worth following (Jenkins, 2004). The resource-based view of the firm is often applied to address the implementation of sustainability management (Grant, 1991; Hart, 1995; Aragón-Correa et al., 2008; Torugsa et al., 2012; Hörisch et al., 2015). “Resource-based theory takes the perspective that valuable, costly-to-copy firm resources and capabilities provide key sources of sustainable competitive advantage” (Barney, 1991, p. 986). Wernerfelt (1984) was one of the first to outline the importance of organizational resources and to change the ‘traditional product perspective’ against an inward-looking resource perspective.

Building on his work, Barney (1991) and Hart (1995) drew the connections among the proper implementation of the firm’s business strategy, leading to the optimal use of firm resources (i.e., all tangible and intangible assets such as financial reserves, equipment, human resources and knowledge) and capabilities (e.g., shared vision, strategic proactivity, stakeholder management and organizational learning). Thus, while resources represent the raw input that is given into a process, capabilities are the processes through which the different resources are transformed into respective market offerings (Leonidou et al., 2017). This optimal use, in turn, leads to an increased competitive advantage, which will be perceived positively by firms. Organizational resources and capabilities can be considered essential in shaping a firm's evaluation of (implementing) CSR matters.

The RBV further stresses the instrumental role of organizational resources and capabilities (Leonidou et al., 2017): i.e., the greater the available resources and capabilities, the more likely the implementation of CSR-related aspects (Lepoutre and Heene, 2006). "Firms that have already obtained a track record in sustainability by gaining experience and important capabilities in sustainability management are better positioned to engage in further sustainability initiatives" (Schrettle et al., 2014, p.77). Leonidou et al. (2017) underline the critical role of both organizational resources and capabilities in pursuing environmentally friendly business strategies. The authors find strong positive relationships between the deployment of resources and capabilities committed to environmental issues, and the adoption of respective business strategies by firms. The mediating role of business strategy allows for the RBV to be applied in the context of CSR-related matters, since sustainable business strategies require the use of "heterogeneous resources and idiosyncratic capabilities" (Leonidou et al., 2017, p. 587).

The following hypotheses are put forward:

H4. *A higher deployment of organizational resources for CSR matters is associated with a lower expected burden of organization due to the CDIA.*

H5. *A higher deployment of organizational capabilities for CSR matters is associated with a lower expected burden of organization due to the CDIA.*

3.3.3 The Role of CSR Strategies and Instruments

A formalized, strategic approach towards business management may improve chances of the successful implementation of socially responsible activities into business practice (Jenkins, 2004). However, CSR activities in SMEs are mostly 'scarcely systematic' or structured into formalized processes (Perrini, 2006a) and, for example, sustainability reporting is less well established in SMEs than in large firms (Fernández-Guadaño and Sarria-Pedroza, 2018). The activities usually have low visibility outside the company and are therefore considered 'sunken' CSR (Perrini, 2006a) or 'silent' CSR (Jenkins, 2004). Personal contacts which are especially driven by the owner–manager with internal and external stakeholders, a higher sensibility to costs and the proportionally higher costs of reporting for SMEs explain why SMEs use less formalized instruments to communicate CSR initiatives (Graafland, 2002; Graafland et al., 2003).

Graafland et al. (2003) find that SMEs believe that CSR is "not sufficiently relevant to require a systematic strategic approach" towards it and are thus "less inclined to use formal instruments to foster ethical behavior within the organization than large firms" (p. 53). The authors find systematic differences with respect to the CSR instruments large and small firms use, while no CSR strategy usually means no use of instruments. In their study on CSR strategies and instruments in Germany, Hahn and Scheermesser (2006) find standardized management systems are predominantly used by large firms, and more informal measures driven by personal motives of managers and employees prevail in SMEs. Murillo and Lozano (2006) make similar findings in a Spanish setting, and Perrini et al. (2007) in an Italian one. The latter emphasize the link between size and a firm's willingness to engage in specific (formalized) CSR strategies. As opposed to formalized CSR in SMEs, informal CSR based on strong personal ties, such as a climate of trust, can be an advantage for firms over an impersonal instrument, such as a code of conduct (Graafland et al., 2003). Once a firm becomes aware of the topic of CSR and its respective tools, however, the firm applies tools and thus a strategized approach, regardless of its size (Hörisch et al., 2015). Regarding CSR as an organizational innovation (Hashem and Tann, 2007; Hsu and Cheng, 2012; Johnson, 2015) allows for another perspective on formalization. From an innovation diffusion perspective, formalization within an organization may enhance the implementation of innovations (Rogers, 2003).

The following hypothesis is put forward:
H6. *A more formal CSR strategy is associated with a more positive evaluation of the CDIA.*

3.4 Materials and Methods

3.4.1 Operationalization of the Measure

For this research, an online-based survey consisting of closed-ended questions using a seven-point Likert scale ranging from (1) "strongly disagree" to (7) "strongly agree", as well as binary (yes/no) and discrete questions was designed. The survey instruments to measure the constructs of interest rely on previously tested and validated instruments wherever possible, which were further refined during expert sessions. Table 3.5 in the Appendix shows variables related to constructs and their sources.

The survey is divided into four sets of questions and relies on self-report measures which have become well accepted in the literature (Danneels, 2008). The first set investigates the interviewee's understanding and the expected impact of the CDIA on the organization. To measure 'evaluation of the CDIA', i.e., a firm's expected burden of organization due to the newly-introduced law, a three-item scale (CDIAc) adapted from Baden et al. (2009) was developed. The second set of questions investigates the organization's resources and capabilities already deployed for CSR matters. To measure resources deployed (RD) and capabilities deployed (CD), two scales from Leonidou et al. (2017) were adapted. Each of the two scales consists of four items. The third set investigates the organization's CSR strategy and formalization. The scale to measure formal approaches to CSR (FORM) was adapted from Graafland et al. (2003) and Gallo and Christensen (2011). The last set of questions investigates the organizational and the interviewee backgrounds. All adapted scales were extracted from English-language peer-reviewed journals and translated into the German language by a professional translator. Explanations for uncommon or scientific terms, such as "CDIA", were provided during the survey.

The initial version of the survey was refined using input from industry experts from academia and business. Each of these experts has numerous years of experience in their respective field. The resulting questionnaire was then pre-tested through interviews with 12 representatives from firms of different sizes and backgrounds. The representatives were asked to complete the survey before the interview was held. During a telephone interview, usually lasting around 30 to 45 minutes, the survey questions and responses were discussed in-depth. This process led to minor final adjustments. For pre-testing, a convenience sample was used (Sekaran, 2003) and enterprises similar to the final target population were selected. The pre-test respondents were then excluded from the main study. The extensive literature review, in-depth interviews with scholars and practitioners as well as pre-testing the survey are ways to support the content validity of the survey (S. Lee, 2008).

3.4.2 Sample Description/Data Collection

The survey addresses German firms of different sizes (micro, small, medium and large/multinational corporations (MNCs)), measured by the number of employees (Gallo and Christensen, 2011; Johnson, 2015). This approach allows for a more thorough classification than only the distinction between SMEs and large firms, respecting that SMEs are not a heterogenous group (Johnson and Schaltegger, 2016; Murillo and Lozano, 2006). The relevant target population for the study are German firms listed as of April 2018 in the databases of the German Council for Sustainable Development and the Global Reporting Initiative. A restricted sample has the advantage that the approach is more easily replicable and traceable, engages a clearly defined target population, and allows for a high-quality sample as all firms listed in either of the two databases can be assumed to have at least some knowledge of sustainability matters (Bansal, 2005). The latter, especially, is important in the light of accuracy and representativeness (S. Lee, 2008). Results indicate the approach has engaged with the respective survey participants, as around 95% are aware of the CDIA.

Huber and Power (1985, p. 174) argue that information should be collected as accurately as possible, i.e., "from the most appropriate person in the organisation", especially if a single key informant is to be targeted. Accordingly, questionnaires were addressed to CSR managers, corporate communications managers, owner–managers (especially in SMEs), managing directors or other personnel who know of the significance of CSR and may be involved in the implementation of CSR strategies. From 728 firms, duplicates and inactive firms were removed. Five hundred and eighty-four candidates remained, of which 151 took part in the survey, yielding a response rate of >25% and a common sample size for this type of study (Delmas, 2002; S. Lee, 2008; Baden et al., 2009; Hörisch et al., 2015; Junquera and Barba-Sánchez, 2018). Eleven responses were excluded, which are filed by self-employed CSR consultants, and another five incomplete surveys. Of the final sample of 135 firms, 13 firms (9.6%) claim not at all to be indirectly affected and were thus excluded in the statistical analysis. Table 3.1 gives descriptive statistics of the final sample.

Table 3.1: Firm and survey respondent profiles.

		Firm characteristics (n = 135)			
Number of employees		Industry		Impact of the CDIA	
< 10	5.2%	Finance & insurance	19.1%	Direct effect	37.0%
10-49	11.1%	Services	8.1%	Indir. effect expected	53.3%
50-249	12.6%	Energy/Water/Waste	7.4%	No indir effect expect.	9.6%
250-500	8.2%	Manufacturing	7.4%		
501-1,000	14.1%	Real estate/Hotels	6.6%		
1,001-5,000	16,3%	Chemicals	5.9%		
> 5,000	32.6%	Food & consumer products	5.1%		
		Transport & logistics	5.1%		
		Wholesale/Retail	4.4%		
		Tourism	3.7%		
		IT & telecommunications	2.9%		
		Pharma & healthcare	2.9%		
		Other	21.3%		
		Interviewer characteristics (n = 135)			
Position		Department		Years within firm	
CEO/Top management	5.2%	CSR/Sustainability	48.9%	< 1	3.0%
Director/Sr Manager	28.1%	PR/Communication	11.9%	1-3	16.3%
Manager	25.2%	Business development	5.2%	4-10	34.8%
Other	41.5%	Finance/Accounting	3.7%	> 10	45.9%
		Marketing/Sales	2.2%		
		Production/Operations	2.2%		
		Purchase/Procurement	0.7%		
		Other	25.2%		

Note: Shown are the descriptive statistics of the final sample of n = 135 firms. CDIA: CSR Directive Implementation Act.

The survey participants received an internet link to the questionnaire directly via e-mail. Up to two reminders were sent to participants. A covering letter explained the background of the study and the use of the survey results. It also stated that all information would remain anonymous in order to reduce the potential for social desirability bias in the responses to the questions in the survey (Podsakoff et al., 2003). To diminish the effects of consistency artefacts, i.e., to avoid the respondents filling in their responses to one variable with their response to the other in mind, the survey questions that enquire into the evaluation of the CDIA were placed at the beginning of the survey and firm size towards the end. Moderators (resources, capabilities and formalization) were placed in the middle of the survey (Muller and Kolk, 2010; Graafland and Smid, 2017) and item ambiguity was reduced by avoiding vague concepts and by keeping the questions simple. Non-response bias was assessed on the basis that later respondents are more closely related to non-respondents than early respondents as suggested by

Armstrong and Overton (1977). Using two-tailed *t*-tests, firm size and age as well as the four constructs (CDIAc, RD, CD and FORM) were compared to assess non-response bias (Armstrong and Overton, 1977; Guerci et al., 2016; Wu, 2017). The results do not indicate a significant statistical difference and thus no issue with non-response bias. Data was collected during April and May 2018.

3.4.3 Description of the Measure

The measure of an online-based survey was derived via a deductive approach. In total, four measurement constructs were applied, with each construct being a scale of at least three items. The constructs measure a firm's expected burden of organization due to the CDIA (CDIAc), resources deployed (RD) and capabilities deployed (CD) for CSR and the degree of CSR formalization (FORM). Scales were adapted from extant literature, i.e., they are based on a combination of prior theory and empirical work and refined during expert sessions as outlined in the methodological section.

A confirmatory factor analysis (CFA) was conducted to test the reliability and validity of the adapted scales in this context and validate the constructs. All scale items were expected to load on one factor; i.e., to measure one underlying latent variable and hence yield a single-factor solution. Despite the presumption, items were allowed to load on different factors, and thus to possibly yield a multi-factor solution. Varimax rotation was applied to allow for a better fit of the axes with the actual data points. Oblique rotation was also applied to account for possible correlation among factors in case of a multi-factor solution. The analysis yields a one-factor solution with the same variables retained for varimax and oblique rotation. The commonly applied varimax rotation (Buysse and Verbeke, 2003; Turker, 2009; Torugsa et al., 2012) was followed as it provides a better fit of the axes with the actual data points. This provides evidence that distinct and reliable factors were found.

The Kaiser–Meyer–Olkin measure was applied, and thus only factors with eigenvalues > 1 (Hair et al., 2014) were retained. Hence, four factors were retained: one for each construct. Only items with a loading of > 0.4 were included in the final constructs (Hair et al., 2014). Reliability measures such as Cronbach's alpha and composite reliability are always above the recommended threshold of 0.7 (Hair et al., 2014). Convergent validity, as measured for example through average variance extracted (AVE), is in all cases above or close to the value of 0.5 as recommended by Fornell and Larcker (1981). This indicates that the items in the factor can explain at least the same share of change as explained through the error variance of the measure. The retained constructs together with related descriptive statistics are shown in Table 3.2.

Table 3.2: Measurement validation.

Construct	Scale items	Loading λ	AVE	Alpha	Eigenvalue	Mean score	SD	Items mean	Items SD
CDIAc	CDIAc_1	0.67	0.54	0.80	1.62	3.49	1.57	3.83	1.84
	CDIAc_2	0.81						3.22	1.91
	CDIAc_3	0.71						3.43	1.81
RD	RD_1	0.85	0.53	0.82	2.13	5.12	1.16	5.16	1.26
	RD_2	0.76						4.76	1.52
	RD_3	0.75						5.39	1.27
	RD_4	0.52						5.22	1.69
CD	CD_1	0.65	0.44	0.78	1.76	5.61	0.83	5.55	1.08
	CD_2	0.60						6.32	0.78
	CD_3	0.65						5.04	1.33
	CD_4	0.74						5.55	1.05
FORM	FORM_1	0.68	0.52	0.84	2.60	5.65	1.04	5.57	1.40
	FORM_2	0.67						6.08	1.08
	FORM_3	0.55						5.55	1.41
	FORM_4	0.90						5.63	1.40
	FORM_5	0.86						5.43	1.34

Note: Summary of construct measurement and related descriptive statistics shows sound reliability and validity. RD: resources deployed; CD: capabilities deployed; FORM: formalized approaches.

The first construct, CDIAc, consists of 3 items and has an AVE of 0.54. The Cronbach's alpha and composite reliability are moderately high (0.8), indicating a good reliability of the measurement construct. The second and third constructs, RD and CD, each consist of four of the original six items (Leonidou et al., 2017) as two items have considerably lower loadings than the others (< 0.5) in these analyses and were thus dismissed. The items retained in the constructs yield a factor with an AVE of 0.53 and an alpha of 0.82 for RD and a factor with an AVE of 0.44 and an alpha of 0.78 for CD. The latter is below the commonly accepted threshold of 0.5. It is retained, however, for its applicability in exploratory research and strong performance in other measurement criteria. The FORM scale consists of five items and fulfils all commonly accepted reliability and validity criteria (AVE of 0.52 and alpha of 0.84).

Based on a 7-point Likert Scale, a value of 4 indicates, e.g., in the case of CDIAc that the focal firm neither expects nor rejects a burden on the organization. For CDIAc, values closer to 7 indicate a lower expected burden on the organization; for RD and CD, these values indicate higher resources and capabilities deployed, respectively, while values closer to 7 for FORM indicate higher CSR formalization and strategy. Subsequently, the four constructs are applied to the data to analyze and discuss the initially raised research questions and hypotheses.

3.5 Results and Discussion

To analyze the data and assess the hypotheses, *t*-tests were used. The statistical significance was tested using the 5% significance level. The 5% significance level is not used as a fixed cut-off *p*-value; however, the findings are also discussed against other factors. Each construct (CDIAc, RD, CD, FORM) is measured by taking the means of respective items within a construct. To assess the stability of the approach and findings, the same *t*-test analyses were carried out using median values and values derived from principal component analysis instead of mean values for each construct. The results support the findings based on the means-approach. Hence, only the means-approach is discussed in the following section. To further analyze the data and assess the moderating hypotheses, a simple linear regression using the ordinary least squares method was applied.

3.5.1 Type of Exposure and the Role of Firm Size

First, significant differences of CDIAc evaluation related to firm size are explored, considering directly and indirectly affected firms. It was hypothesized that larger firms directly affected by the CDIA (i.e., > 5000 employees) expect to incur a lower burden of organization due to the CDIA than directly affected smaller firms (i.e., < 5000 employees). Yielding an average evaluation of CDIAc of 3.16 (firms > 5000 employees) and 2.23 (firms < 5000 employees), respectively, support was found for H1.1 ($p < 0.05$).

The result is in line with the extant MNC/large firm CSR literature: first, very large multinational companies often receive a great deal of attention and have been scrutinized for years by different stakeholder groups (e.g., media, NGOs, consumers) who may exert pressure on the firm; these firms have therefore already implemented most of the standards the CDIA requires (Van De Ven, 2008; Kucuk, 2010; Sweetin et al., 2013). This is due to 'ticking boxes', as one CSR professional of a large multinational German firm put it. Smaller firms that are directly affected by the CDIA often had fewer incentives to make formal CSR efforts and therefore face greater difficulty in complying with the law (Maignan et al., 2005; Kucuk, 2010). In the case of Directive 2014/95/EU, this size effect is shown in a study by Venturelli et al. (2017), who demonstrate a positive correlation between firm size and extant reporting adequacy with regards to the Directive. Fiechter et al. (2017) show foremost that firms with low levels of CSR expenditures or no voluntary CSR reports increase their CSR expenditures more strongly than their peers after the introduction of EU Directive 2014/95, equally supporting the findings. Second, a larger firm size often also implies a larger resource base, and this has been found to positively impact environmental performance (Barney, 1991; Elsayed, 2006). The 'relative cost of external CSR communication (reporting and PR)', which the CDIA implies, is thus lower for large MNCs than for smaller firms that are equally affected (Baumann-Pauly et al., 2013). Figure 3.1 summarizes the findings.

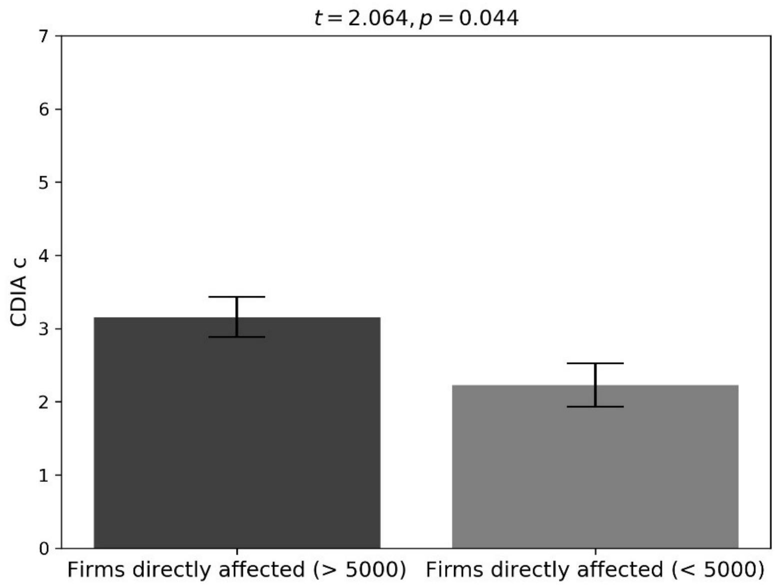

Figure 3.1: Boxplot chart showing the mean evaluation of CDIAc and standard error of the mean for directly affected larger firms and directly affected smaller firms. The results are significant and indicate a higher expected burden by smaller firms directly affected by the CDIA.

It was further assumed that indirectly affected large firms (> 500 employees) expect to incur a lower burden of organization due to the CDIA than indirectly affected SMEs (< 500 employees). Yielding an average evaluation of CDIAc of 3.95 (firms > 500 employees) and 3.92 (firms < 500 employees), respectively, there is no support for H1.2 ($p > 0.1$). The neutral evaluation of the CDIA by indirectly affected SMEs and large firms alike can be attributable to a commonly insufficient understanding of the new law and its consequences, which might arise from an overall ambiguity (Murillo and Lozano, 2006; Perrini, 2006a; Coenenberg and Fink, 2017; Velte, 2017). Spence et al. (2003) find SMEs in Germany to be generally well organized before any voluntary, additional membership or networking is entered, however, which could be another explanation for the results.

Possibly, once SMEs have developed their CSR management and have processes established, they can reach the same level of resilience as large firms and are not differently affected. Thus, there is no proof that firms expect any additional burden of organization when indirectly affected by the CDIA, e.g., via the supply chain. This is an important insight regarding the debate about adverse effects on indirectly affected small and large firms due to sustainability regulation in the German case. The result is further supported by the relatively large number of firms that do not at all expect to be indirectly affected by the CDIA (around 18% of participating firms that were not directly affected). Figure 3.2 summarizes the findings.

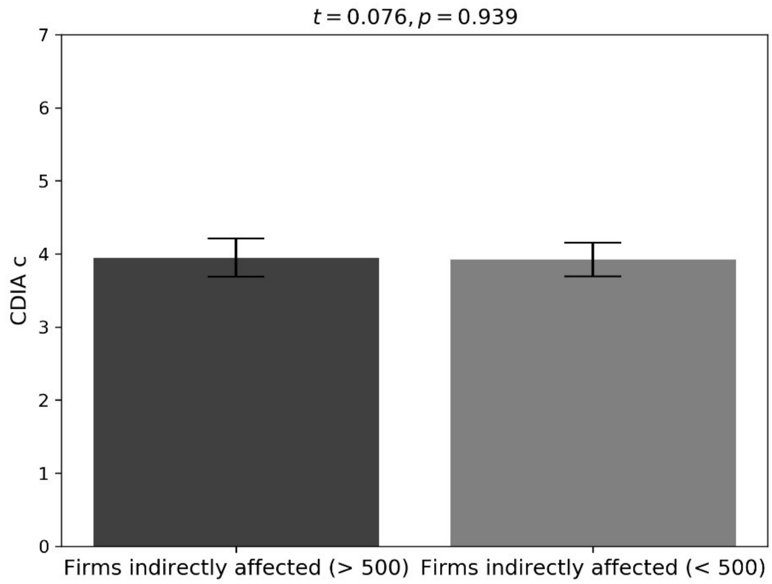

Figure 3.2: Boxplot chart showing the mean evaluation of CDIAc and standard error of the mean for indirectly affected large firms and indirectly affected SMEs. The results are not significant and indicate a neutral position to the expected burden for firms regardless of their size.

It is asserted that CDIAc measures a firm's expected burden of organization due to the CDIA. Firms directly affected by the law should thus incur a significantly higher burden of organization than indirectly affected firms. Consequently, it was tested if large firms indirectly affected by the CDIA (> 500 employees) expect to incur a lower burden of organization due to the CDIA than directly affected large firms. Yielding an average evaluation of CDIAc of 3.95 (indirectly affected firms) and 2.86 (directly affected firms), respectively, there is strong support for H2 ($p < 0.01$), confirming the measure.

The survey also aimed to outline possible supply chain pressures resulting from the CDIA and the role of firm size. Consequently, indirectly affected firms were asked whether they expect an increasing need to adapt to their customers' standards due to the new law. Yielding an average evaluation of 4.46 (firms > 500 employees) and 3.67 (firms < 500 employees), respectively, whereby values closer to 7 indicate a higher need to adapt to customer standards, there is moderate support for H3 ($p < 0.1$). This result underlines the still weaker position in the supply chain of smaller firms compared to their larger peers (Jenkins, 2004; Ayuso et al., 2013). Both SMEs and large firms, however, are still moderate overall in their estimation of having to adjust to customers, given the range of around 3.5 to 4.5 on a 7-point Likert scale. Figure 3.3 summarizes the findings.

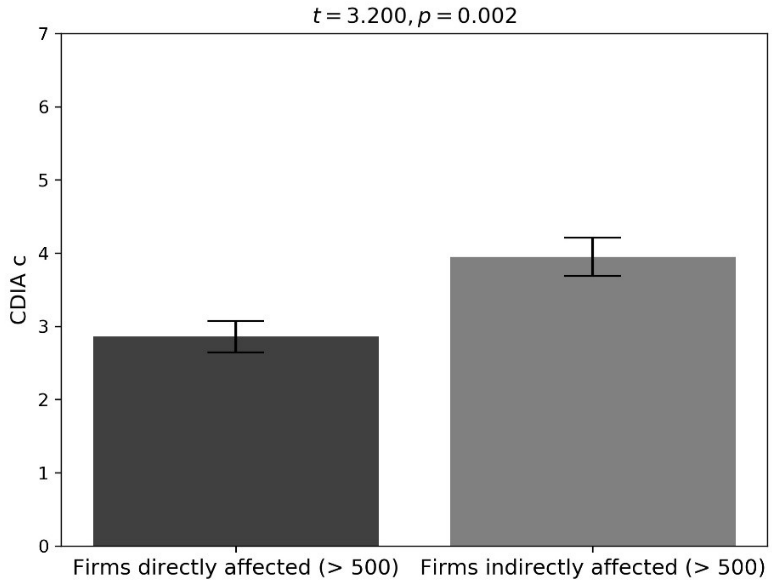

Figure 3.3: Boxplot chart showing the mean evaluation of CDIAc and standard error of the mean for directly affected large firms and indirectly affected large firms. The results are highly significant and indicate a higher expected burden by large firms that are directly affected by the CDIA.

Finally, sectorial differences were evaluated. For that purpose, firms from different industry clusters were compared (manufacturing, services, financial institutions and insurance, trade and commerce, others) by opposing the CDIAc evaluation of directly and indirectly affected firms, respectively, for each cluster using the same methodology as before. The results show no significant differences across sectors, i.e., firms directly or indirectly affected by the CDIA from different sectors evaluate the CDIA homogenously. These findings are in line with previous analyses and signalize that the law does not lead to the systematic better or poorer positioning of some sectors in the German case.

3.5.2 Analysis of Moderators

Second, significant differences of CDIAc evaluation among firms high/low in resources and capabilities deployed for CSR and high/low in formal CSR engagement were explored. It was hypothesized that a higher deployment of organizational resources (H4) and higher deployment of organizational capabilities (H5) for CSR matters is associated with a lower expected burden of organization due to the CDIA. Consequently, the associated RD and CD values of the mean top and bottom median CDIAc evaluation were opposed. It was assumed that the mean RD and CD values of the upper groups would be significantly higher than those of the lower groups. Firm size as well as the type of effect (direct/indirect) do not play a role for this analysis.

An average evaluation of 5.44 (RD top median) and 4.81 (RD bottom median) indicate support for H4 ($p < 0.01$). The findings equally support H5 (5.82, CD top median and 5.40, CD bottom median ($p < 0.01$)). Hence, firms that have more resources and capabilities deployed for CSR matters also evaluate the CDIA more positively, and vice versa. The results give indications on why firms put forth different evaluations of the CDIA, based on the role of firm resources and capabilities in the evaluation process by applying resource-based theory (Wernerfelt, 1984; Barney, 1991; Grant, 1991). These findings are in line with other literature applying a resource-based perspective (Aragón-Correa et al., 2008; Hart, 1995; Hörisch et al., 2015; Leonidou et al., 2017) and thus support the RBV by underlining the role of engaged resources and capabilities (Lepoutre and Heene, 2006). The results also stress the fact that small firms are in a position to champion CSR (Jenkins, 2006) and achieve competitive advantages, provided that appropriate resources are committed to sustainable practices (Aragón-Correa et al., 2008). The complexities and peculiarities involved in taking sustainable initiatives require a steady flow of supportive organizational resources (Surroca et al., 2010).

It was further hypothesized that a more formal CSR strategy is associated with a more positive evaluation of the CDIA. As for RD and CD, the associated FORM values of the mean top and bottom median CDIAc evaluation were opposed. It was assumed that the mean FORM values of the upper groups would be significantly higher than those of the lower groups. Yielding an average evaluation of 5.98 (RD top median) and 5.31 (RD bottom median), there is support for H6 ($p < 0.01$). The results indicate the formal anchoring of CSR within a firm to be associated with a lower expected burden of organization due to the CDIA.

That means that firms that have a clear CSR strategy and a formalized approach to CSR also evaluate the CDIA more positively. These results support the extant literature in the field (Jenkins, 2004; Hörisch et al., 2015). The results also underline previous findings on the diffusion of CSR as an organizational innovation (Johnson, 2015) and support the idea of easier implementation of innovations in more formalized environments (Rogers, 2003). Firms that have already developed a formalized CSR approach and tools, such as respective documentation put in place, will usually find it easier to comply with reporting requirements. The resulting causality between existing CSR tools and the evaluation of the CDIA can occur in two ways: they could either share the same drivers, or the presence of a more formal CSR infrastructure (i.e., more formal approach to CSR) could facilitate or even promote dealing with the CDIA (Castka and Balzarova, 2008). Figure 3.4 summarizes the moderating effects as determined via *t*-tests.

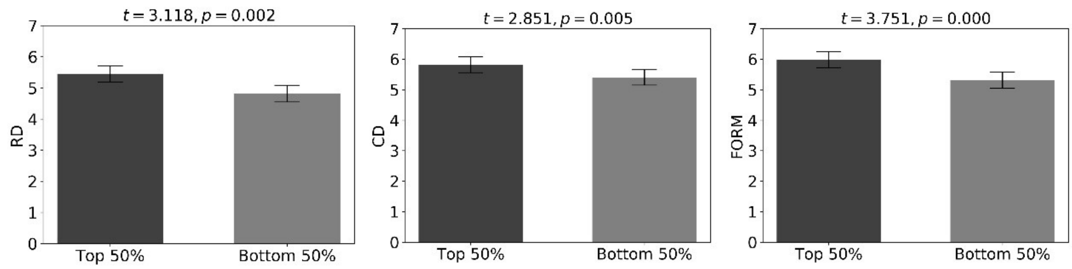

Figure 3.4: Boxplot chart showing the mean evaluation and standard error of the mean for the moderators RD, CD and FORM for the top and bottom 50% of the CDIA evaluation. Results indicate that firms which evaluate the CDIA more positively are significantly stronger in resources and capabilities deployed for sustainability and implement a more formal CSR strategy.

3.5.3 Supporting Analyses

To strengthen the findings, a simple linear regression using the ordinary least squares method with the CDIA (CDIAc) as a dependent variable was applied. This analysis helps to understand if a positive relation between each of the moderators and the CDIA exists, and if some of the variance in the dependent variable can be explained. There are positive statistically significant coefficients for all independent variables, RD (0.36, *t*-value = 3.02, *p*-value < 0.01), CD (0.58, *t*-value = 3.55, *p*-value < 0.001) and FORM (0.47, *t*-value = 3.58, *p*-value < 0.001), thus indicating a positive linear relation and equally supporting the findings. The percentage of the variation that is explained by the model (r-squared) was moderately low for all three measures (RD: 0.071, CD: 0.095, FORM: 0.096), however, which can be common for social sciences.

Correlation analysis reveals moderately strong positive correlations, which are significant for all constructs ($p < 0.01$). This result supports previous findings and the three moderating hypotheses H4, H5 and H6. The analysis also shows not only that the evaluation of the CDIA is positively correlated to the moderating constructs, but that also the moderating constructs, for example RD and CD, are positively correlated among one another. This supports the idea of the adequate measurement of constructs, especially as RD and CD would be expected to correlate and indeed show the strongest correlation across all constructs (0.53). Table 3.3 shows the correlations.

Table 3.3: Correlation analysis.

Construct	1	2	3	4
1 CDIAc (evaluation of the law)	1.00			
2 RD (resources)	0.27*	1.00		
3 CD (capabilities)	0.31**	0.47**	1.00	
4 FORM (formalisation)	0.31**	0.47**	0.53**	1.00

* $p < 0.01$; ** $p < 0.001$.

3.5.4 Hypotheses Results

The hypotheses underlying this research seek to investigate the impact of CSR regulation in the case of the CDIA. This study focuses on a firm's expected burden of organization, as well as the moderating factors of this evaluation. It also seeks to shed light on whether SMEs expect more than large firms to need to adapt to their customers' standards. There is support for all but one of the hypotheses, shedding light especially on SMEs and firm-size related differences in the context of mandatory CSR reporting. Table 3.4 summarizes the findings with regards to the hypotheses.

Table 3.4: Summary of research hypotheses results.

	Hypothesis	Observed results	Status
Main Hypotheses	H1.1	Larger firms directly affected (low burden) vs Smaller firms directly affected (high burden)	Supported
	H1.2	Large firms indirectly affected (neutral to burden) vs SMEs indirectly affected (neutral to burden)	Rejected
	H2	Large firms indirectly affected (neutral to burden) vs Large firms directly affected (low burden)	Supported
	H3	Large firms indirectly affected (no need to adapt) vs SMEs indirectly affected (need to adapt)	Supported
Moderating Hypotheses	H4	Higher deployment of organizational resources & lower expected burden	Supported
	H5	Higher deployment of organizational capabilities & lower expected burden	Supported
	H6	More formal CSR strategy & lower expected burden	Supported

Note: All but one of the research hypotheses were supported by the preceding statistical analyses.

3.6 Conclusion and Implications

This article studies how firms of different sizes evaluate the impact of a recent CSR law on their organization. The law is implemented in Germany and based on Directive 2014/95/EU, which is the EU's latest major initiative on mandatory sustainability reporting. In an empirical study among 151 German firms that are directly or expect to be indirectly affected by the law, firm size is found to play a role in the appreciation of mandatory sustainability reporting; however, this depends on the type of impact considered (i.e., direct or indirect). Directly affected smaller firms indicate a greater burden of organization due to the new law compared to their larger peers. Grounded in stakeholder theory, previously lower public pressures and stakeholder scrutiny may explain why especially smaller firms that are directly affected by the law indicate an increased burden of organization. These firms now need to make an effort to formalize their sustainable engagement, whereas for many larger firms this is simply a case of ticking boxes. Moreover, smaller firms' relative cost to comply with reporting standards is higher compared to their larger peers.

Indirectly affected SMEs and large firms alike, however, take the same neutral perspective and neither express consent nor reject a future burden of organization. Thus, there is no proof for SMEs being especially disadvantaged due to the CDIA, indicating the imminent expected supply chain pressures to be moderate or simply not well understood by firms. Indirectly affected SMEs, however, still expect a greater necessity than indirectly affected large firms to adjust to their customers' standards due to the

CDIA. It might thus be relevant to monitor the long-term effects of the law, ensuring the independent competitiveness of SMEs in the future and countering possible adverse effects of CSR laws in the long term. Sectorial differences do not seem to play a role in the CDIA evaluation, however, indicating that the law does not lead to the systematic better or poorer positioning of some sectors in the German case.

It is evident that firm size is important for firms directly affected by the CDIA, and in the discussion of power-dominance among large and small firms over the long term. The indirect burden of organization, however, appears to be the same for large and small firms alike. The findings can thus advance small-firm literature by shedding more light on SMEs in the regulation of CSR and presenting detailed groundwork for when firm size matters and when it does not. For the time being, it will be the directly affected firms which will bear the greater burden due to the CDIA. Cooperation between buyers and their SME suppliers along the supply chain might be a powerful tool for long-term, size-independent sustainable solutions (Ayuso et al., 2013; Knudsen, 2013; Hörisch et al., 2015). Which types of firm government support in dealing with mandatory CSR reporting can be especially helpful for is also shown.

Taking a resource-based perspective, the study further shows firms that deploy resources and capabilities for CSR matters and formalize it evaluate the CDIA significantly better than their peers. The result can be seen as another incentive for collaboration along the supply chain and leveraging or providing relevant resources and capabilities for the smooth integration of, e.g., reporting requirements. They also support the advantage of the first mover and firm-lead initiatives. SMEs as well as large firms have the potential to champion sustainability and an increasingly formalized CSR agenda, provided that the appropriate resources and capabilities are in place. The study thus stresses the instrumental role of both organizational resources and capabilities for undertaking and sustaining CSR initiatives of firms and thus supports the RBV. It also sharpens the understanding of possible consequences of formalizing CSR.

The latter is especially noteworthy for an increasing institutionalization of CSR matters across Europe (Bansal and Roth, 2000; Delbard, 2008) and a new 'explicit CSR' (Matten and Moon, 2008), which could thus be anticipated with the future cost or burden of complying with new regulation be lowered. The translation of Directive 2014/95/EU into German law was found to have significant effects on some companies. The directive might have similar effects on firms in other EU countries, especially those with comparable economies and which adapt the directive into national law. Other EU countries might therefore want to develop measures to estimate the effect of the directive's implementation into national law on directly and indirectly affected firms. Any country seeking to understand the impact of mandatory sustainability reporting on its organizations will more easily be able to provide support where needed and thus avoid possibly imbalanced development among firms over the long term. Countries could thus also harness sustainability reporting as it provides the chance to improve corporate transparency and accountability (Cantele et al., 2018). Additionally, in France, for example, it might be interesting to understand whether abidance by the law is increased compared to previous national reporting frameworks (e.g., cf. Delbard (2008), Chauvey et al. (2015)); in Spain as well as in other EU countries, it could be tested if SMEs will also formalize their sustainability reporting and which type of firm is generally affected (e.g., cf. Fernández-Guadaño and Sarria-Pedroza (2018)).

Future research may complement the findings of this study and address some of its shortcomings: this study is limited in size; a larger sample, possibly taking a different sampling approach in another geographical location, could therefore be useful to underline some of this study's findings. Moreover, the study focusses on firm size and only some of the variables moderating the evaluation of the CDIA. Besides the indications given in this study, it might be interesting to understand additional reasons why firms evaluate the CDIA differently, possibly via a qualitative study among firms. Alternatively, multivariate statistical analyses might lead to interesting insights with regards to causes and consequences. Considering control variables such as ownership and industry affiliation in more detail in future studies could equally yield interesting results.

Despite its limitations, however, the study gives valuable indications on what the perceived impact of mandatory CSR reporting on firms is. It offers perspectives on firms that especially struggle with the new law and might experience greater pressure on their organization in the future, thus requiring support from stakeholders such as policy makers or supply chain partners in dealing with mandatory CSR reporting. The study also gives indications on the role of a formalized approach to CSR and of organizational resources and capabilities. However, for instance, a greater focus on directly affected firms only, thus going beyond the exploratory nature of this study, could be insightful to better understand the direct impacts of the CDIA on firms. Finally, it would be interesting to understand whether the increase in formalized CSR activity among some firms due to the CDIA also leads to a measurable increase in actual CSR activity within these firms. Only then would sustainable change be created, and the triple bottom line of social, environmental and economic impact strengthened.

3.7 Appendix

Table 3.5: Construct operationalization.

Construct	Item code	Item description	Source
CSR Directive Implementation Act (CDIAc)	CDIAc_1	CDIA will be implementable for our firm with little effort.	(Baden et al., 2009)
	CDIAc_2	CDIA will mean additional workload for our firm.	
	CDIAc_3	CDIA will cost our firm money.	
Organizational Resources (RD)	RD_1	Our firm has made investments in the environmental and social abilities of its employees.	(Leonidou et al., 2017)
	RD_2	Our firm has made investments in developing the environmental and social skills of the top management.	
	RD_3	Our firm has made investments in organizational abilities which are related to environmental and social issues.	
	RD_4	Our company has made investments in formal (routine-based) management systems and procedures with regards to ecological and social issues.	
Organizational Capabilities (CD)	CD_1	Our firm has the ability to seek solutions for ecological and social issues from different angles.	(Leonidou et al., 2017)
	CD_2	Our firm pays great attention to satisfying customer demands.	
	CD_3	In our firm, there are formal/informal systems for better coordinating ecological and social issues among departments.	
	CD_4	Our firm always expands its knowledge regarding the interaction between business and its stakeholders.	
CSR Formalization (FORM)	FORM_1	In our firm we have a clear CSR strategy.	(Graafland et al., 2003; Gallo and Christensen, 2011)
	FORM_2	Our company's awareness of CSR has risen significantly in recent years.	
	FORM_3	The number of instruments/processes (e.g. sustainability report, environmental audit) used to organize CSR in our company has increased significantly in recent years.	
	FORM_4	Our firm has increasingly anchored CSR in its corporate strategy in recent years.	
	FORM_5	Our company integrates ecological and social issues into the strategic planning process.	

4 SMEs and Sustainability Reporting: Where We Stand, How Far We Have Come and Why it Might be Time to Move on

4.1 Publication Details

Abstract: Small and medium-sized enterprises (SMEs) have been of secondary interest in the corporate social responsibility (CSR) discussion for many years. Moreover, they have been attributed the same characteristics for organizing CSR as large firms. In a way consequentially, SMEs were found to have little access to formal CSR such as sustainability reporting (SR) and their contribution to the sustainability agenda was deemed negligible. This idea, however, has started changing during the past years as SMEs participate increasingly in sustainable development. In this article, we examine the current state of company SR on a global scale and across several regions. Our analysis focuses on SME SR and the associated relevance of three of the most significant reporting frameworks, the Global Reporting Initiative, the United Nations Global Compact, and the German Sustainability Code. We further analyze differences across frameworks and sectors over time. By taking a comprehensive approach to SR and by comparing SR patterns of SMEs to those of large firms, we argue SMEs can and should engage in formalized CSR to support the global sustainability agenda. The detailed analysis and discussion of developments across the frameworks shed light on their relevance for current and future reporting of SMEs and large firms. Arguments from stakeholder, institutional and legitimacy theory form the theoretical basis of our discussion. We ground our analyses and arguments on extant literature and a dataset encompassing a total of 19,900 reporting organizations globally over two decades.

Authors: Alexander Bergmann, Peter N. Posch

Keywords: SMEs; large firms; sustainability reporting; reporting frameworks; formalized CSR; stakeholder theory; legitimacy theory; institutional theory

Publication details: Working paper.

4.2 Introduction

“What I believe is now debatable is how we should all ensure that the field [corporate social responsibility (CSR)] continues to thrive and advance in progress in every corner of the world. Advancing progress in CSR should actually be all global citizens’ business and goal” (Idowu, 2016, p. 1).

Academics and practitioners have started taking small and medium-sized enterprises (SMEs) seriously in the sustainability agenda only around two decades ago. Nowadays, SMEs are increasingly expected to develop strategies to accommodate accelerating global sustainability reporting (SR) requirements and proactively address sustainability issues (Parker et al., 2009). Recent mandatory reporting requirements within the European Union (EU) such as Directive 2014/95/EU, which mandates SR among certain large firms, for example, likely have indirect effects on SMEs through directly affected large firms (European Commission, 2014). Many SMEs, however, lack a structured approach to sustainable engagement and especially reporting, thus have no adequate response to these significant changes in their external environment (Jenkins, 2004; Fifka and Reiser, 2015). At the same time, the (GRI, 2017) notes “tracking performance against goals, being transparent, and reporting on progress are the only ways to amplify successes, policies, and processes. This applies to all businesses, be they SMEs or giant multinationals. It is particularly important for SMEs within large supply chains to disclose their sustainability information in order to secure their competitive place and attract new sources of investments”. Formal engagement in sustainability, for example by way of SR, however, is primarily aimed at larger companies rather than SMEs (Spence and Rutherfoord, 2003; Jenkins, 2004; Murillo and Lozano, 2006; Camilleri, 2016). Moreover, support for SMEs to engage in SR has been symbolic or has been reduced to local efforts by private and governmental actors (Fifka and Reiser, 2015; Camilleri, 2016).

The significance of SMEs within society, however, is widely acknowledged. SMEs play a substantial role beyond the local setting in any aspect touching the triple bottom line of social, environmental and economic profits (Elkington, 1998). Often defined by their number of employees being less than 250 (e.g. cf. Bremer (2008), Zorpas (2010), Ferenhof et al. (2014)), SMEs typically make up around 99% of all firms in Europe and worldwide and are of paramount importance for global supply chains (Oelze and Habisch, 2018; Schulze and Bals, 2018). Besides their economic impacts, collectively SMEs have considerable impacts on social and environmental aspects (Parker et al., 2009; Cassells and Lewis, 2011; Lewis et al., 2014). Especially companies further upstream in the supply chain or sub-suppliers, of which many are SMEs, can cause severe environmental and social issues (Plambeck, 2012; New, 2015; Grimm et al., 2016). SME suppliers beyond first-tier can thus trigger environmental risks and encumber the establishment of more environmentally friendly supply chains (S. Lee, 2008; Wilhelm et al., 2016).

International organizations, through increased voluntary environmental and social disclosure, contribute to improved firm performance in these fields and to the diffusion of CSR (Clarkson et al., 2008; Clarkson et al., 2011; Coni-Zimmer, 2012). International organizations exist in different forms and jurisdictions around the globe. Two of the globally most prominent ones are the non-governmental organization Global Reporting Initiative (GRI) and the intergovernmental organization United Nations (UN) and its framework the Global Compact (GC, together UNGC). On a national level, the government-related organization German Council for Sustainable Development and its framework the German Sustainability Code (GSC) fulfill this role. These and other organizations or agencies have developed abundant reporting tools and frameworks for SR, especially over the last two decades, thereby achieving an increasing formalization of sustainability matters. All three cited organizations claim their frameworks are suitable for firms irrespective of their size, however, most are or have been dominated by large firms. Not surprisingly, positions on SMEs' capabilities to engage in formalized CSR and recognize environmental and social responsibilities along the supply chain diverge sharply. In the past, a clear majority of researchers found SMEs to be neither willing nor capable of taking care of social and environmental issues, even less so in a formalized manner (e.g. cf. Hillary (2004), Jorgensen and Knudsen (2006), Fassin (2008), Nawrocka et al., 2009; Pedersen, 2009)). More recently, an increasing number of contributions highlights progress and the necessity of SMEs to consider their sustainable impact, possibly by taking on formalized sustainability measures (e.g. cf. Perrini et al. (2007), Ayuso et al. (2013), Hörisch et al. (2015), Johnson and Schaltegger, 2016)).

Despite meaningful contributions in the field, extant literature provides room for further research. First, research on the actual status quo of sustainability reporting dates back years ago and frequently considers a single framework only (Hillary, 2004; Bremer, 2008; Marimon et al., 2012; Del Mar Alonso-Almeida et al., 2014). Second, research methodologies for deriving statements on SMEs' position in and suitability for formalized sustainability engagement and reporting are often theoretical or conceptual (Loucks et al., 2010), case studies (Massa et al., 2015) or surveys (Perrini et al., 2007; Ayuso et al., 2013). Third, the use of theory with regard to SR is scarce and mostly studies do not holistically embrace different theoretical explanations (Hahn and Kühnen, 2013). Academics consequently call for more research on SMEs' sustainable engagement, especially as past research focuses on large firms consistently over time and across topics (Hillary, 2004; Loucks et al. 2010; Ayuso et al., 2013; Hahn and Kühnen, 2013; Acosta et al., 2014; Massa et al., 2015; Lee et al. 2017). With regards to the three frameworks, researchers express concrete directions, for example, to trace actual developments of GRI reporting and generally grow research on GRI reporting (Marimon et al., 2012; Del Mar Alonso-Almeida et al., 2014), to more profoundly research differences across countries in UNGC (Voegtlin and Pless, 2014) and to consider more firms and periods within GSC (Stawinoga and Velte, 2015). Discussing past research in the light of new data across countries, sectors and reporting frameworks while deploying arguments from theory can thus lead to valuable insights.

This research aims at filling some of the outlined gaps and to advance the field of SME CSR research and SR in general. It seeks to answer especially the following questions: to what extend do SMEs engage in formal CSR in the form of SR? Which differences exist across regions and sectors? Which relevance do reporting frameworks have for SME and large firm SR? For our analyses we draw on data from three of the most recognized sustainability reporting frameworks, GRI, UNGC and GSC. These frameworks are applicable in a global and in the German context, and to organizations irrespective of their size (Hahn and Kühnen, 2013; Stawinoga and Velte, 2015; Orzes et al., 2018). After removing duplicates, the final sample across the three databases consists of 19,900 organizations. We use arguments from the three related theories stakeholder theory, institutional theory and legitimacy theory to discuss our findings. This article makes several contributions to the sustainability literature in theory and practice: first, it provides an updated picture of SR across countries, sectors and frameworks over time while considering firm size. Thus, the article provides the possibility for peer-comparison from a macro perspective for company managers and outlines areas requiring future research from academics. Second, the article underlines SMEs' possibilities to engage in SR, thus encouraging SMEs to extend their efforts. Third, by empirically comparing GRI and UNGC reporting by using an unprecedented dataset, the article sheds light on the (future) relevance of the frameworks. Finally, the article provides empirical evidence for the effect of mandatory SR on reporting quantity in the German context.

As the notions of CSR and sustainability gradually converge and to avoid confusion of the scope of CSR being reduced to purely social responsibilities (Fifka and Reiser, 2015), in line with other authors (Hahn and Kühnen, 2013; Schreck and Raithel, 2018), this study considers sustainability (reporting) and CSR (reporting) as consistent concepts and uses the two terms interchangeably. We give priority to the term sustainability (reporting), however, for it more clearly outlines the idea of sustainable development under consideration of social, environmental and economic aspects, i.e. the triple bottom line

(Elkington, 1998). The article continues as follows: section two provides the theoretical foundations for this study. The third section outlines the methodological approach. We discuss our findings in section four before providing concluding remarks.

4.3 Theoretical Foundations

"The majority of literature [in SR] does not refer to any theory at all, while those studies adopting or at least considering a theory show indeed a preoccupation with stakeholder theory…, legitimacy theory…, and to a certain extent also institutional theory" (Hahn and Kühnen, 2013, p. 14). In the following, we therefore briefly lay eye on these three theories, as they are related and were used in the past to explain SR practice (Perez-Batres et al., 2011; Hahn and Kühnen, 2013; Fernando and Lawrence, 2014), and thus to provide better ground for discussing SMEs' (future) SR activity. We then elaborate on SME idiosyncrasies and sustainable reporting tools (SRTs) for the latter "can advance corporate responsibility on a global level because they contribute to the closure of some omnipresent governance gaps" (Gilbert et al., 2011, p. 23).

4.3.1 Stakeholder, Institutional and Legitimacy Theory

Since Freeman's (1984) work more than three decades ago, stakeholders have become an integral part of management research. "The stakeholder approach is about groups and individuals who can affect the organization and is about managerial behavior taken in response to those groups and individuals" (Freeman, 1984, p. 48). Stakeholder theory consequently assumes organizations are connected to individuals or groups, who "can affect or are affected by the achievement of an organization's purpose" (Freeman, 1984, p. 49). Any stakeholder or key agent for a firm will be able to exert pressures that will influence the depending firm (DiMaggio and Powell, 1983) and thus can create a demand for the adoption of new organizational practices, both via formal and informal pressure (Castka and Balzarova, 2008). Its instrumental power and especially normative base are fundamental aspects of the theory (Donaldson and Preston, 1995). Stakeholder theory thus emphasizes the accountability of the organization towards its stakeholder, especially the most salient ones (Mitchell et al., 1997; Orzes et al., 2018).

Institutional theory examines organizational forms and assumes behavior of organizations is governed by its institutional environment. One branch of institutional theory explains why organizations become more similar through isomorphic processes, i.e. develop homogeneous characteristics or forms within a same organizational field (DiMaggio and Powell, 1983). It thus acknowledges that social influences affect the structure of organizations (Zucker, 1987). The isomorphic processes observed across an organizational field result from three mechanisms or causal influences. These can be mimetic (to follow peers' best practice, especially in uncertain environments), normative (to do the professionally correct thing and follow authorities that directly or indirectly set standards for legitimate organizational practice) and coercive (to comply with externally codified rules or laws which assign legitimacy to new organizational practice) (DiMaggio and Powell, 1983; Matten and Moon, 2008). Isomorphic processes lead to institutional legitimacy, i.e. an organization's (societal) legitimacy or 'acceptance' (DiMaggio and Powell, 1983; Perez-Batres et al., 2011). "By adhering to institutions and the practices that encompass them, corporations acquire societal legitimacy" (Perez-Batres et al., 2011, p. 844). Institutions can be formal ones like governmental regulations, or informal ones like culture.

According to Suchman (1995, p. 574), "legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions". Organizations seek to establish coherence between the social values associated with their activities and the norms of acceptable behavior in the larger social system which they are part of (Deephouse and Suchman, 1995). If society's value system no longer commensurate with the organization's value system, i.e. an organization's legitimacy is questioned by its stakeholders, it may be pressured or coerced to change its actions. Legitimacy can thus be understood as the acceptance of an organization by its environment (Egels-Zandén and Wahlqvist, 2007). Consequently, especially influential organizational stakeholders such as government organizations and non-governmental organizations (NGOs) can bestow or withdraw the organization's social acceptance (Freeman, 1984; Egels-Zandén and Wahlqvist, 2007; Perez-Batres et al., 2011).

4.3.2 SME Idiosyncrasies and Their Role in SR

Firm size does matter in corporate sustainability engagement and has a positive effect on the adoption and extent of sustainability reporting (Perrini et al., 2007; Pedersen, 2009; Gallo and Christensen, 2011; Hahn and Kühnen, 2013). Until recently, academic literature has taken a largely homogenous stance towards SMEs' formal engagement in CSR activities, and their recognition of sustainability requirements along their supply chain. Often supported by empiric research, SMEs have been described as 'expensive to reach' (Rutherfoord et al., 2000) and to find CSR 'not sufficiently relevant' to require a systematic strategic approach (Graafland et al., 2003). Consequently, reporting systems' uptake by SMEs has been characterized as 'patchy at best and down right miserable at worst' (Hillary, 2004). CSR activities in SMEs are described as mostly 'scarcely systematic' or structured into formalized processes with low visibility outside the company and are therefore considered 'sunken' CSR (Perrini, 2006a). (Fassin, 2008) calls it a 'fallacy' to consider formalizing CSR in SMEs, (Cassells and Lewis, 2011) state in summary that there exists 'consensus' around this lack of engagement on the part of SMEs. Indeed, use of sustainability tools and reporting is generally less well established in SMEs than in large firms (Hörisch et al., 2015; Johnson and Schaltegger, 2016; Fernández-Guadaño and Sarria-Pedroza, 2018).

Size, organizational structures and management styles (Sen and Cowley, 2013) are only some of the differences between SMEs and large firms. SMEs are further characterized by fewer customers, a focus on immediate issues instead of long-term strategy and a flat hierarchical structure (Hudson et al., 2001; Hyvonen and Tuominen, 2006). SMEs are usually quicker, more flexible, and responsive to dynamics in the business environment (Spence and Schmidpeter, 2003; Jenkins, 2006). In smaller firms, however, resources are more scarce compared to their larger peers, often inhibiting the use of sophisticated sustainability management tools or systems (Spence et al., 2003; Hahn and Scheermesser, 2006; Murillo and Lozano, 2006). The same employee often undertakes several tasks, and awareness of issues beyond the day-to-day business remains low (Tilley, 2000). Moreover, access to information is limited (Fassin, 2008), and knowledge of CSR and its associated benefits is insufficient (Murillo and Lozano, 2006; Perrini, 2006a). SMEs usually also have more limited or less stable cash flows than their larger peers (Spence et al., 2003). These factors have been found to negatively affect the ability of SMEs to engage in social activities (Hitchens et al., 2005; Hörisch et al., 2015). Several of the concepts from business ethics applied in large firms require bureaucratic administrative structures requiring money and time, and "professional implementation and highly paid consultants are required for such initiatives" (Spence et al., 2003, p. 18). Other than for large firms, SMEs' biggest risk is their failure to survive (Jenkins, 2004), turning financial risks and operational risks with financial implications into those of predominant importance. Only if SMEs do not expect ethical engagement to increase pressure on financials, operations and management time, thus, to possibly negatively impact profits, they may consider it worthy (Jenkins, 2004).

Firm size and other idiosyncrasies in themselves, however, are not the only barrier to SME sustainability-tool adoption. Rather, there is no single approach to CSR, especially not for firms of different sizes (Spence and Rutherfoord, 2003; Spence et al., 2003). The absence of specific policies for

SMEs and therefore inadequate transfer of sustainability tools into the SME-context, taking into account SMEs' lack of knowledge, resource shortages and high deployment costs, also have negative impacts on the adoption of formal CSR such as SR (Hahn and Kühnen, 2013; Ferenhof et al., 2014). Thus, adequate approaches for implementing formal CSR such as SR in SMEs are required (Ferenhof et al., 2014; Johnson and Schaltegger, 2016). Adapting CSR tools is necessary as CSR activities and ethical standards developed for large firms may not be appropriate for SMEs (Spence et al., 2003; Enderle, 2004). This has been neglected for a long time, however, and concepts developed for large companies were often simply tried to be scaled down to SMEs but not adjusted to their circumstances (Jenkins, 2006; Murillo and Lozano, 2006). Scholars have criticized this approach for many years (Tilley, 2000; Spence and Rutherfoord, 2003; Jenkins, 2004; Murillo and Lozano, 2006; Fassin, 2008). Consequently, CSR engagement and sustainability reporting are much more likely in SMEs, if extant resources such as time, money or knowledge are adjusted to the SME context and proportionally higher costs for formalized CSR become negligible (Graafland, 2002; Graafland et al., 2003; Ferenhof et al., 2014).

Especially over the last few years, research has started providing support that SMEs are capable of and increasingly do engage in formal CSR activities, even if comparatively little. Already in 2007, however, as noted by Pedersen (2009) as 'a noticeable exception', Perrini et al. (2007) find Italian SMEs very willing to accept social responsibilities along the supply chain. According to Ayuso et al. (2013), Spanish SMEs pass on around the same number of CSR requests they receive from their (larger) suppliers. Especially Johnson and Schaltegger (2016) are among the first to take a positive position on SMEs' formal CSR engagement and find several reasons why SMEs should (and could) implement sustainability management tools. In the German context Hörisch et al. (2015) and Johnson (2015) support their findings as the authors find knowledge and awareness to be the key inhibiting factor for SMEs to using CSR tools. That is, once a firm becomes aware of these tools, they show the same willingness and capability as large firms to engaging in CSR. Thus, company size does not influence the share of CSR tools applied once they are known. Spence et al. (2003) find SMEs in Germany to be generally well-organized before any voluntary, additional membership or networking is entered into. Bergmann and Posch (2018) find firm size does not play a role in the evaluation of the burden firms expect regarding their organizational responsibilities due to mandatory SR in case the firm expects to be indirectly affected by mandatory reporting. Formalization of CSR within a firm can be valuable as it can, via the use of CSR tools and strategies, encourage implementation of sustainability measures into business practice (Jenkins, 2004; Johnson, 2015) and lead to an improved financial performance (Torugsa et al., 2012). SR may yield SMEs and large firms alike ethical benefits, better employee relations, performance and retention as well as increased innovative capacity, among others (Kolk, 1999; Hillary, 2004; Cetindamar and Husoy, 2007; Loucks et al. 2010; Klewitz and Hansen, 2013; Fifka and Reiser, 2015; Orzes et al., 2018).

4.3.3 Corporate Sustainability Reporting Tools

SR, defined according to the GRI as the disclosure of information "by a company or organization about the economic, environmental and social impacts caused by its everyday activities" (GRI, 2018a), dates back decades. However, SR and related sustainability standards and frameworks, as well as the number of organizations promoting these standards, have gained increasing worldwide prominence in academia and business especially during the last two decades. Increased stakeholder demand for greater transparency is one of the main drivers of this development (Koerber, 2009; Gilbert et al., 2011; Hahn and Kühnen, 2013; Ferenhof et al., 2014; Siew, 2015). There exist various tools to assess and report sustainability, and terminology applied by researchers as well as approaches to classify standards or SRTs differ. "Researchers examining these initiatives have used the terms corporate responsibility standards, norms, principles, and guidelines; standardized ethics initiatives … and corporate responsibility frameworks" (Koerber, 2009, p. 462). According to Gilbert et al. (2011), international accountability standards can also be classified into principle-based standards, certification standards, reporting standards and process standards. (Marimon et al., 2012) suggest a classification of corporate responsibility standards in regulatory structures (normative frameworks), guidelines (process guidelines) and administrative systems (management systems). Siew (2015) refers to sustainability tools such as standards and frameworks collectively as 'corporate sustainability reporting tools'. According to Koerber (2009), there exist over 300 standards globally that address various aspects of corporate behavior and responsibility which often fall into more than one category. Current non-financial or sustainability-related reporting practice is primarily voluntary (Hahn and Kühnen, 2013). However, there is a trend towards mandatory sustainability reporting (Dhaliwal et al., 2012; Gulenko, 2018). Several countries have already implemented some form of mandatory reporting (Dhaliwal et al., 2012; Gulenko, 2018), or have standardization bodies which have developed certifiable standards (Hahn and Kühnen, 2013). International initiatives such as Directive 2014/95/EU further spur this trend.

Our research follows a recent approach by Siew (2015), who classifies SRTs into the three categories frameworks (i.e., principles, initiatives or guidelines such as the GRI framework, Carbon Disclosure

Project, and the UN Global Compact), standards (i.e., more formalized and specified documentation that can be followed such as SA8000 and ISO14001) and ratings and indices (i.e., third party evaluation of a corporation's sustainability performance such as the KLD, Dow Jones Sustainability Index and FTSE4Good Index). Especially frameworks play an important role in SR for they provide guidance on acceptable goals, measurement and communication. "Frameworks typically refer to principles, initiatives or guidelines provided to corporations to assist them in their disclosure efforts" (Siew, 2015, p. 181). Standards, despite having a similar function as frameworks, are less significant in SR for they "exist in the form of more formal documentation that spell out the requirements, specifications or characteristics that can be used to ensure that sustainability efforts are consistently achieved" (Siew, 2015, p. 182). They often focus on one topic such as environmental or social issues (e.g. ISO 9001 and 14001), are sometimes purely informational and criticized as vague guidelines without a central oversight data-collection organism (Schwartz and Tilling, 2009; Lozano and Huisingh, 2011; Hahn, 2013) and to be missing consulting and implementation structures such as a reporting frame (e.g. ISO 26000). Ratings and indices represent third party evaluation of a corporation's sustainability performance or, if more narrowly defined, environmental or social performance (Siew, 2015). They often target companies of certain background only and do not present self-report measures. As frameworks empower SR, which is increasingly recognized as an important factor contributing to corporate sustainability (Lozano and Huisingh, 2011), we therefore focus on the two most prominent frameworks worldwide, GRI and UNGC (Koerber, 2009; Gilbert et al., 2011; Siew, 2015) and a regional one in the German context GSC (Stawinoga and Velte, 2015; Zwick, 2015). All three frameworks aim to promote sustainable and responsible business practices and claim their suitability also for SMEs, thus indicating an avenue for SMEs' formal pursuit of sustainability matters.

Global Reporting Initiative (GRI):

GRI was founded in 1997 by the Coalition for Environmentally Responsible Economies and the Tellus Institute. Shortly after its inception GRI received support from the UN to ensure an international perspective. GRI's intention is to help businesses and governments worldwide to understand and communicate their impact on critical sustainability issues, thus to diffuse sustainability records (Marimon et al., 2012; GRI, 2018a). GRI aims at complementing companies' existing reporting such as financial reports and thus creating a globally applicable reporting framework. First companies reported in 1999. Since then, GRI has issued several generations of reporting standards, the latest transition being from 'G4' to 'GRI Standards'. GRI Standards are easier to apply for organizations than earlier reporting frameworks due to a modular structure. GRI Standards are thus the latest version of GRI's original reporting guidelines, released in 2016. There are three universal standards used by every organization that prepares a sustainability report (GRI 101 Foundation, GRI 102 General Disclosures, GRI 103 Management Approach), and there are three series of topic-specific standards which cover economic, environmental and social impacts (GRI 200, 300, 400). Organizations thus choose from the topics most relevant to their circumstances and report accordingly (GRI Standards, 2018). Since its inception, GRI has evolved into the preeminent global framework for voluntary corporate SR and has gained widespread legitimacy across all kinds of organizations, proven by widespread corporate compliance and official recognition by governmental agencies (Levy et al., 2010; Hahn and Kühnen, 2013). For a more profound discussion of the GRI framework cf. e.g. Levy et al. (2010), Marimon et al. (2012), Hahn and Kühnen (2013), Del Mar Alonso-Almeida et al. (2014) and Siew (2015).

United Nations Global Compact (UNGC):

The Global Compact was launched by the UN in 2000 as an international learning and dialogue platform for sustainable and responsible corporate management involving civil society organizations and governments. UNGC promotes ten principles across the areas human rights, labor, environment and anti-corruption. UNGC is a network of companies, non-governmental organizations and government agencies and its principles thus applicable to private and public firms of all sizes as well as NGOs and public authorities, among others. Within the frame of this network, international sustainability issues are discussed and brought to the attention of companies via various formats. Organizations join UNGC by preparing a Letter of Commitment and expressing commitment to the Global Compact as well as its ten principles and to act in support of UN goals. Participants must annually provide a report called 'Communication on Progress'. Failing to report on progress for two consecutive years results in the exclusion of the framework by delisting the organization. UNGC is the only sustainability framework exclusively focusing on environmental and social aspects, hence, companies are covering economic aspects in their separate statements. UNGC is thus a framework that helps firms aligning their own sustainability goals and instruments with current international developments (UNGC Report, 2017). It has evolved as the predominant global reporting framework in terms of number of adopters (Orzes et al., 2018) and plays "an important role in putting CSR on the agenda, facilitating and fostering dialogue, and establishing a consensus on global ethical standards for business via its ten general principles" (Voegtlin and Pless, 2014, p. 1). However, UNGC is considered as the weakest of the three sustainability frameworks for it only represents globally accepted minimum standards, which have often been introduced in local laws anyway, and its joining thresholds are moderately low (Marimon et al., 2012;

Rasche and Waddock, 2014; Voegtlin and Pless, 2014; Siew, 2015). It has also been criticized for lacking clear or specific implementation guidelines (Koerber, 2009).

German Sustainability Code (GSC):

The German Council for Sustainable Development was founded in 2001 and is an advisory body to the German Government. Its two main goals are to advise the German government on its sustainable development policy, e.g. by proposing projects for its realization, and to foster social dialogue on the issue of sustainability to increase levels of awareness. It has developed and oversees the German Sustainability Code, a framework which organizations regardless of their size or legal structure can use since 2010 for reporting on non-financial performance. In her assessment, however, Zwick (2015) notes it is considerably easier for large firms with established reporting systems than for SMEs to comply with GSC. Applying the 'comply or explain' principle (i.e. firms should report on areas required by GSC or provide explanation in case they do not report), GSC seeks to establish a sufficiently comparable and standardized basis for SR. Despite its applicability on an international level, however, only a minuscule proportion of non-German firms uses it. The code is updated regularly to remain up to date with current trends and is based on international, general standards such as UNGC, ISO 26000, and GRI (Zwick, 2015). To comply with GSC, users submit a declaration to the Code database of conformity with the 20 Code criteria and a selection of quantifiable non-financial performance indicators taken from the GRI and the European Federation of Financial Analysts Societies. This declaration of conformity is confirmed by GSC, which helps to assess the way in which companies embed sustainability into their core business (Zwick, 2015; GSC Overview, 2018). For its proximity to GRI and overlap with the two other frameworks as well as relevance in Germany we include as the third relevant framework.

4.4 Methodology and Data

For this research, we follow methodological and analytical approaches as suggested by Bremer (2008), Marimon et al. (2012), Del Mar Alonso-Almeida et al. (2014) and Stawinoga and Velte, 2015) and use publicly available data as shown on the websites of the GRI, UNGC and GSC for our analyses. We selected the three databases first, because they hold the most extensive and reliable source of data on SR and are the most widely used and recognized standards globally and in the German context for SR (Koerber, 2009; Gilbert et al., 2011; Siew, 2015; Stawinoga and Velte, 2015; Zwick, 2015). Second, the organizing frameworks are well-established and claim relevance also for SME sustainability reporting. Third, the three frameworks are strongly inter-related (with GRI standards as the center point): the performance indicators of GRI are directly related to each of the principles of UNGC (Marimon et al., 2012), and GRI reporting can be used to fulfill UNGC's annual reporting requirements (Gilbert et al., 2011); GSC adopts a selection of quantifiable non-financial performance indicators from GRI (DNK, 2018). Relying on data from the three frameworks thus provides a coherent picture of reporting activity in general, irrespective of the underlying framework.

Upon request, GRI reports services department provided us with the GRI reports list, which gives an aggregate overview over all centrally collected data points presented in the GRI's sustainability disclosure database. Neither UNGC nor GSC provide respective services. To gather respective comparable data from each of the two websites, and as manual extraction of the data would have been a daunting task, we used the software-program Python. Common to all three data-pools are the categories organization name, size, sector and country as well as an indication of last reporting activity (GRI and GSC) or commencement of membership (UNGC) for any organization included. All data in the three databases are self-filed by reporting organizations. For our research we only consider public and private companies, and organizations with company character such as partnerships or cooperatives. For their very different (organizational) structures and often aims, we do not include NGOs, academic or public institutions and foundations, among others.

GRI Data:
The GRI reports list shows reports published from 1999 until present (November 2018). The dataset is clustered by reporting year and includes a summary sheet over all organizations. In addition to the above-mentioned data, information on stock market relevance of the firm (listed/not listed), auditing related issues such as assurance provider and scope are provided and the direct link to the organization's PDF SR, among others. As of the report date, the database counts a total of 12,296 organizations including non-profit organizations, cooperatives and public and private companies. For the years 2016 and 2017 the total number of reporting organizations is 6,993 and 6,473, respectively. GRI still collects reports for 2017 and 2018, 2016 thus represents the last full year of reporting. GRI further notes "the Sustainability Disclosure Database includes sustainability and integrated reports that GRI is aware of. Some reports may be omitted, in particular those in non-Latin scripts or those not published online" (GRI Reports Services, 2018). Thus, the true number of reports is likely higher. As reporting in GRI is voluntary, not all reporters publish reports annually but continue to be listed in the database. After filtering for firms within the scope of our research, 11,278 companies remain of which 6,425 and 6,008 have reported in 2016 and 2017, respectively.

UNGC Data:

On its website, UNGC provides numerous filters including type of organization, country, sector and joining date, among others. The UNGC database shows reports published from 2000 until present (November 2018). We only extracted data relevant to our study, using a format comparable to the one described for GRI data. As of the report date, the database counts a total of 13,306 organizations including NGOs, academic institutions, foundations, cities and public and private companies. For the years 2016 and 2017 the total number of organizations providing reports on progress within the last two years is 9,708 and 11,487, respectively. In case an organization does not report for two consecutive years, it is excluded from the database. As UNGC provides the joining date, all figures show the actual number of firms having actively reported on progress within the last two years. After filtering for firms within the scope of our research, 9,932 companies remain. Our data does not include firms that were delisted from the framework due to failure to communicate on progress.

GSC Data:

The GSC database almost exclusively lists German firms. Like UNGC, on its website, GSC provides numerous filters including type of organization, sector and reporting year, among others. GSC also allows firms to file information on whether they are obliged to report according to mandatory German SR requirements based on Directive 2014/95/EU. The GSC database shows reports published from 2010 until present (November 2018). We only extracted data relevant to our study, using a format comparable to the one described for the previous two databases. As of the report date, the database counts a total of 469 organizations including associations, cooperatives and public and private companies. For the years 2016 and 2017 the total number of reporting organizations is 163 and 244, respectively. Not all reports for 2017 and 2018 have been uploaded by respective firms yet, 2016 thus represents the last full year of reporting. As reporting in GSC is voluntary, not all reporters publish reports annually but continue to be listed in the database. After filtering for firms within the scope of our research, 447 companies remain of which 156 and 239 have reported in 2016 and 2017, respectively.

Finally, to trace SR behavior across frameworks, we derive an overall SR dataset based on the three frameworks listed above and extract firms reporting in two or more frameworks. Each of the three frameworks applies their own terminology with regards to the relevant categories organization size, country and sector. Company size is commonly defined according to number of employees across the frameworks, whereby SMEs are defined as those organizations with up to 250 employees (UNIDO, 2003; GRI, 2018b). We therefore adopt this definition and consequently distinguish between SMEs and large firms, adjusting terminology homogenously to 'SME' and 'Large' in our data. Country definition is only pertinent for GRI and UNGC, as relevant firms from GSC are German firms. GRI and UNGC homogenously define countries, we thus align spelling differences only. Sectors relevant for the research are differently defined; GRI lists 35, GSC 26 and UNGC 42 sectors. We therefore align sectors according to GRI, for GRI is discussed as the most advanced and prominent reporting framework globally (Lozano and Huisingh, 2011; Marimon et al., 2012; Del Mar Alonso-Almeida et al., 2014). Using Python and by manual approach, we remove 1,769 duplicates across the three frameworks from the dataset and keep the GRI entry where possible. The overall SR dataset thus counts 19,900 organizations with documented SR activity since 1999 (GRI), 2000 (UNGC) and 2010 (GSC), respectively, of which 1,720 firms report in two or more frameworks.

4.5 Results and Discussion

In this section we conduct a descriptive analysis of the available data on a worldwide and regional scale. We analyze and discuss the internal determinant of SR practice, firm size, and the external determinants sector affiliation, country-of-origin, and legal requirements in form of mandatory CSR reporting, as suggested by extant literature (Kolk, 1999; Marimon et al., 2012; Hahn and Kühnen, 2013). Regional differences in SR can be significant and are frequently addressed in the academic literature (Marimon et al., 2012; Del Mar Alonso-Almeida et al., 2014; Camilleri, 2016). We therefore structure our analysis by region, beginning on a global scale before narrowing down to two country clusters, a European and an Asian one, and an individual country, Germany. Finally, we discuss sector-relevance in SR as well as SR across two or more frameworks.

4.5.1 SR Worldwide

We focus on the GRI and UNGC database to analyze global developments in SR among SMEs and large firms. As GSC is a largely Germany-specific framework, we exclude it from the analyses in this section. GRI lists a total of 11,278 and UNGC of 9,932 organizations relevant to this study. Figure 4.1 shows the total number of firms in GRI and UNGC per year on a global basis.

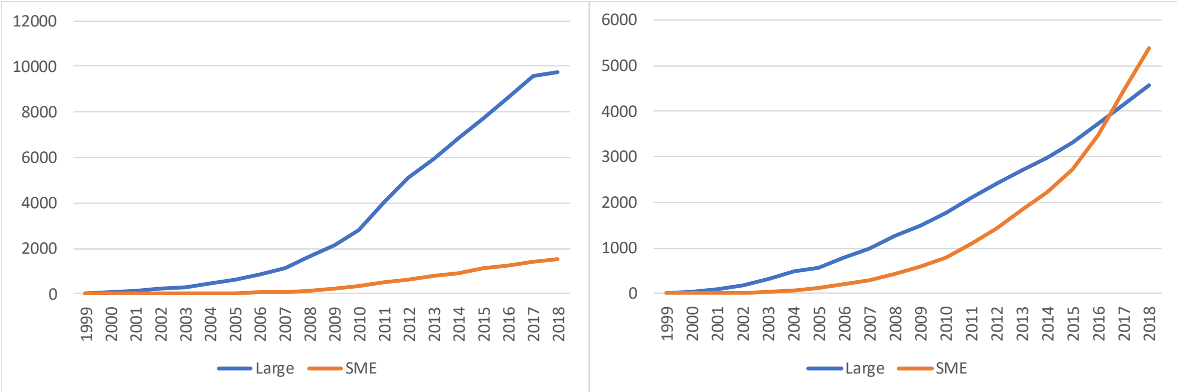

Figure 4.1: Evolution of the total number of SMEs and large firms in GRI (left) and UNGC (right) globally.

The number of firms reporting in GRI and UNGC, respectively, has grown significantly since each framework's inception. For large firms, relevance of GRI compared to UNGC is elevated for GRI (around 68.1% of total GRI and UNGC large firms report in GRI) and for SMEs elevated for UNGC (around 78.0% of total GRI and UNGC SMEs report in UNGC) as of 2018. Especially large firms have grown strongly in number in GRI and clearly dominate GRI reporting. SMEs only account for around 13.5% of total firms listed in the framework in 2018, however, have grown their share throughout GRI's history (see Table 4.1 for the evolution of the total number of SMEs and their share per framework). Already in 2011 large firms newly reporting in GRI peaked with 1,201 firms reporting for the first time in GRI that year. Numbers of new reporters declined afterwards for a couple of years, before resuming slight growth from 2014 onwards. SME first-time GRI reporting has also grown until 2011, however, since then stabilized at a level of around 150 firms newly reporting every year. The number of firms newly listed per year in a respective framework and region is shown in the Appendix. Similar to GRI, the share of SMEs in UNGC was especially low during the first couple of years after the framework's inception. Unlike GRI, however, UNGC has been accepted by a larger number of SMEs earlier on. In 2012, measured by the firms still actively reporting on progress, more SMEs than large firms newly joined UNGC for the first time since the framework's inception. While the number of large firms newly joining UNGC has been relatively stable ever since, the number of SMEs newly joining UNGC has increased more notably year by year. Thus, since 2017 UNGC counts more SMEs reporting on progress than large firms. While UNGC has developed into the major reporting framework for SMEs globally, GRI continues to be of moderately low significance for this type of firm.

Table 4.1: Evolution of the total number of SMEs in GRI and UNGC globally and their share in percent (of total SMEs and large firms).

	Year	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18
GRI	Total	0	1	4	8	11	19	37	61	91	148	230	334	501	658	788	939	1112	1244	1409	1517
	(%)	0.0	1.9	2.8	3.4	3.4	4.1	5.7	6.5	7.3	8.2	9.6	10.6	11.1	11.4	11.7	12.1	12.6	12.6	12.8	13.5
UNGC	Total	0	1	5	18	40	79	117	196	291	425	587	790	1089	1424	1825	2208	2729	3478	4443	5365
	(%)	0.0	2.8	5.7	8.8	11.2	14.1	16.8	19.9	22.7	25.2	28.0	30.7	34.1	37.0	40.4	42.5	45.2	48.3	51.7	54.0

The notable difference between GRI and UNGC SME reporting likely stems from two factors: first, compared to GRI, joining UNGC and reporting on progress is significantly easier for firms as the process is less complex and requires fewer resources. SMEs, known for lower awareness of CSR and resources in terms of time, money and workforce, among others (Spence et al., 2003; Hahn and Scheermesser, 2006; Murillo and Lozano, 2006; Johnson, 2015), consequently have an incentive choosing UNGC over GRI to demonstrate their engagement in sustainable development. Second, UNGC has been actively trying to engage SMEs (UNIDO, 2003; Rasche, 2009), possibly leading to an increased number of SMEs as well. GRI has taken respective actions several years later (Levy et al., 2010) and introduced leaner modular reporting structures, contributing to a growth in GRI SME reporting especially over the last five to ten years. With respect to large firms, numbers of firms reporting in GRI and UNGC have grown strongly since the frameworks' inception. However, growth-patterns differ, possibly also due to UNGC's delisting of firms: while growth in UNGC has been nearly linear since the framework's inception, until 2013 growth in GRI has largely followed the logistic curve model (s-shaped curve) as discussed for sustainability reports by Marimon et al. (2012) and Del Mar Alonso-Almeida et al. (2014). In more recent years, however, GRI's growth pattern has diverged from this model. Especially firms from developing countries, therefor many Asian firms driven by China, engage in SR due to political agendas and stakeholder pressure, thereby leading to stronger growth (Davidson et al., 2018). UNGC possibly still has not reached its 'tipping point' or 'critical mass' among large firms (Bremer, 2008), thus continuing its linear growth. Academics and practitioners perceive UNGC as rather symbolic in nature (Orzes et al., 2018). Moreover, large firm reporting often requires more profound and credible discussion of sustainability issues than reporting on progress according to UNGC to legitimize their actions and satisfy stakeholder demands. Therefore, it is questionable if UNGC will ever reach the same significance for large firms as GRI. As SMEs dominate UNGC reporting, our findings counter criticism UNGC is supporting mainly big business (Rasche, 2009).

4.5.2 SR in Europe and Asia

The European cluster comprises firms from all 28 EU member countries. The EU has taken the lead in embedding CSR in business operational practices and innovating in the field of sustainability (Fernandez-Feijoo et al., 2014; Fifka and Reiser, 2015). Moreover, it has a long tradition of environmental, ethical and social accounting (Schreck and Raithel, 2018). Figure 4.2 shows the total number of firms in GRI and UNGC per year in the EU.

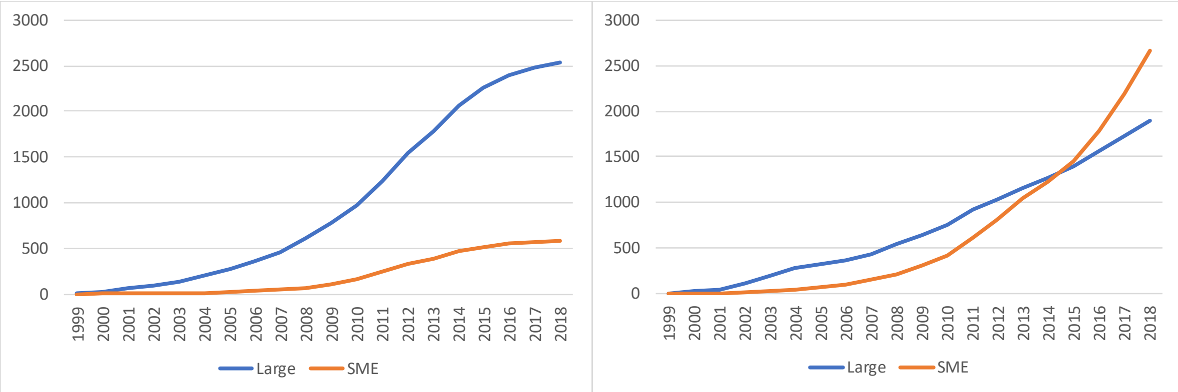

Figure 4.2: Evolution of the total number of SMEs and large firms in GRI (left) and UNGC (right) in the EU.

In line with global developments, GRI and UNGC reporting in the EU has increased strongly since the frameworks' inception. For large firms, relevance of GRI compared to UNGC in the EU is elevated for GRI (around 57.2% of total GRI and UNGC large firms report in GRI) and for EU SMEs elevated for UNGC (around 82.0% of total GRI and UNGC SMEs report in UNGC) as of 2018. For SMEs and large firms alike, numbers of firms newly reporting in GRI have mainly decreased since their peak in 2011 and 2012, respectively. Consequently, GRI reporting in the EU strongly resembles the logistics curve for firm reports as forecasted by Marimon et al. (2012) and Del Mar Alonso-Almeida et al. (2014), indicating saturation of GRI SR within the EU. Compared to the global level, EU SMEs are more active in GRI reporting and account for 18.7% of the firms as of 2018. Table 4.2 shows the evolution of the total number of SMEs and their share per framework. UNGC large firm participation follows a similar pattern in the EU as globally, i.e. shows nearly linear growth since inception. UNGC SME participation in the EU is also comparable to global developments. However, EU SMEs have increased their share in UNGC more quickly compared to the global level. Already from 2010 on, more SMEs than large firms annually joined UNGC. Consequently, UNGC counts more SMEs reporting on progress than large firms since 2015.

Table 4.2: Evolution of the total number of SMEs in GRI and UNGC in the EU and their share in percent (of total SMEs and large firms).

	Year	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18
GRI	Total	0	1	2	3	6	12	22	32	48	62	110	166	251	334	389	471	511	547	563	584
	(%)	0.0	4.2	3.1	3.2	4.3	5.7	7.5	8.1	9.4	9.2	12.3	14.5	16.8	17.8	17.9	18.6	18.5	18.6	18.5	18.7
UNGC	Total	0	0	1	6	22	42	67	100	148	209	301	418	609	807	1040	1226	1443	1780	2187	2662
	(%)	0.0	0.0	2.7	5.4	10.1	13.5	17.8	21.9	25.9	28.0	31.9	35.6	40.0	43.8	47.4	49.2	50.8	53.3	55.8	58.3

The Asia cluster comprises the major Asian developing economies which have strong impacts on environmental and social issues (Grimm et al., 2016; Davidson et al., 2018). These are Bangladesh, Cambodia, China, India, Indonesia, Malaysia, Myanmar, Pakistan, Thailand and Viet Nam. In contrast to the EU, many Asian countries stood out in social and environmental violations for many years (Waddock, 2008). Countries have a comparatively short history in SR, however, which is substantially accelerating, especially driven by China (Saleh, 2009; Davidson et al., 2018). Figure 4.3 shows the total number of firms in GRI and UNGC per year in the Asia cluster.

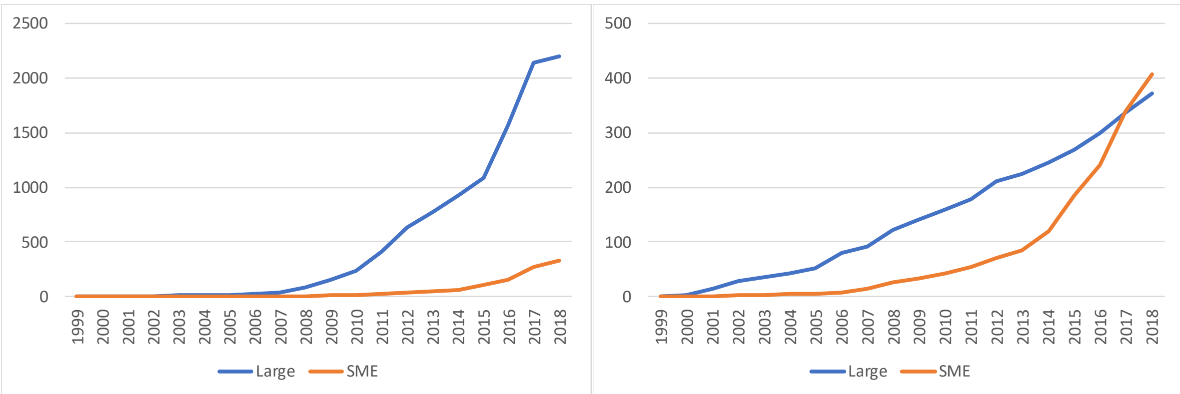

Figure 4.3: Evolution of the total number of SMEs and large firms in GRI (left) and UNGC (right) in the Asia cluster.

In line with global developments, GRI and UNGC reporting in Asia have increased strongly over the past two decades. For large firms, relevance of GRI compared to UNGC is elevated for GRI (around 85.5% of total GRI and UNGC large firms report in GRI) and for SMEs elevated for UNGC (around 55.5% of total GRI and UNGC SMEs report in UNGC) as of 2018. During the first decade of GRI's inception, however, the total number of firms registered in GRI was nearly negligible (155 in total of which 12 SMEs in 2009). Since 2010, the number of large firms in GRI has increased notably and growth accelerated even further since 2015. Asian SMEs have started increasing their reporting activity only since 2014. Compared to the EU, reporting thus started at a later point in time and at higher rates: while large Asian firms accounted for only around 1.4% of all GRI firms in 2009, their share increased to 9.7% in 2015 and 18.9% in 2017. SMEs accounted for 0.1%, 1.0% and 2.4%, respectively. Despite strong growth over the last couple of years, 327 SMEs reporting in GRI as of November 2018 still only represent a minuscule proportion of all Asian SMEs. However, their share within the GRI Asia cluster is comparable to the global level, i.e. around 13.0%. Table 4.3 shows the evolution of the total number of SMEs and their share per framework. UNGC appears to be of little relevance to Asian firms for they only account for around 7.8% of total worldwide UNGC participants. Nevertheless, large firm participation in UNGC follows similar patterns as in the EU and globally, i.e. indicates nearly linear growth since the framework's inception for firms still actively reporting on progress. SME UNGC participation is equally comparable to the EU and the global level. Notable participation of SMEs started a couple of years later than in the EU and especially over the past years at higher rates. This development is common for firms in UNGC and GRI alike, irrespective of their size.

Table 4.3: Evolution of the total number of SMEs in GRI and UNGC in the Asia cluster and their share in percent (of total SMEs and large firms).

	Year	**'99**	**'00**	**'01**	**'02**	**'03**	**'04**	**'05**	**'06**	**'07**	**'08**	**'09**	**'10**	**'11**	**'12**	**'13**	**'14**	**'15**	**'16**	**'17**	**'18**
GRI	**Total**	0	0	0	1	1	1	1	1	3	8	12	15	23	37	48	65	113	155	276	327
	(%)	0.0	0.0	0.0	9.1	8.3	6.3	5.3	3.4	6.4	8.2	7.2	6.0	5.3	5.6	5.9	6.6	9.4	9.0	11.5	13.0
UNGC	**Total**	0	1	1	3	4	5	5	9	15	26	34	43	55	70	85	119	186	240	338	407
	(%)	0.0	25.0	5.9	9.7	10.3	10.6	8.8	10.1	14.0	17.4	19.5	21.3	23.5	25.0	27.5	32.7	40.9	44.5	50.1	52.3

These results underline the EU's leading position in SR, for EU firms account for nearly 27.7% of all firms in GRI and nearly half the firms in UNGC as of 2018. Especially large and multinational EU firms have a considerably longer tradition in SR than Asian firms. Reasons lie within diverse stakeholder pressure, political agendas and an elevated level of resources of EU firms, all supporting adoption of sustainable firm behavior and SR (Barney, 1991; Elsayed, 2006; Van De Ven, 2008; Luna Sotorrio and Fernandez Sanchez, 2010; Sweetin et al., 2013). In line with stakeholder and legitimacy theory, firms have consequently adjusted their corporate behavior including corporate communications to align firm sustainability performance with stakeholder requirements. Reporting allows for a dialogue among firms and their stakeholders and is a central element for influencing the way society perceives the firm (Marimon et al., 2012; Stawinoga and Velte, 2015), enabling firms to obtain, affirm or regain legitimacy (Koerber, 2009; Fernando and Lawrence, 2014). Especially GRI is well-suited to credibly communicate sustainability matters to stakeholders and is thus used for SR (Willis, 2003). Consequently, the number of firms engaging for the first time in GRI SR in the EU has peaked years ago already. Slowing growth of firms newly reporting in GRI indicates increasing saturation.

On the contrary, Asian firms increasingly started engaging in CSR only some years ago. Hence, the number of firms reporting for the first time in GRI has peaked in 2017 and likely reaches a new all-time high in 2018 for SMEs and large firms alike. Asian countries, especially China that accounts for 60% of all firms reporting according to GRI in the Asia cluster, have increasingly started taking sustainable development programs into consideration and on their political agenda for they are facing serious social and ecological challenges (Waddock, 2008; Saleh, 2009). Ioannou and Serafeim (2017) find regulatory measures in China to have significant effects on firms, possibly explaining the strong increase in reporting in light of coercive isomorphism from an institutional theory perspective, in addition to legitimacy concerns and resulting stakeholder pressure. Across both regions, UNGC is becoming increasingly popular and in 2018 counts more firms reporting on progress than before, irrespective of their size. However, UNGC remains considerably more relevant in the EU. First, European UNGC networks have a long history and are well-developed, fostering collaboration among firms and participation in UNGC (Bremer, 2008; Rasche, 2009; UNGC Report, 2017). Second, UNGC has a comparatively low acceptance for credibly communicating on sustainable matters (Koerber, 2009; Hahn and Kühnen, 2013). Firms facing severe legitimacy concerns grounded in social and environmental issues thus likely choose GRI over UNGC, for GRI is commonly accepted for credible SR (Willis, 2003; Hahn and Kühnen, 2013). As on a global level, in the EU and the Asia cluster especially SMEs participate in UNGC due to lower cost of external CSR communication as well as possibly wider awareness compared to other frameworks (Baumann-Pauly et al., 2013; Voegtlin and Pless, 2014).

4.5.3 SR in Germany

Germany is the EU's largest economy and has a long-standing tradition in SR (Matten and Moon, 2008; Gulenko, 2018). For the analyses in this section we consider German firms listed in any of the three frameworks. In total, GRI lists 359, UNGC 421 and GSC 447 companies. Figure 4.4 shows the total number of firms in GRI, UNGC and GSC per year in Germany.

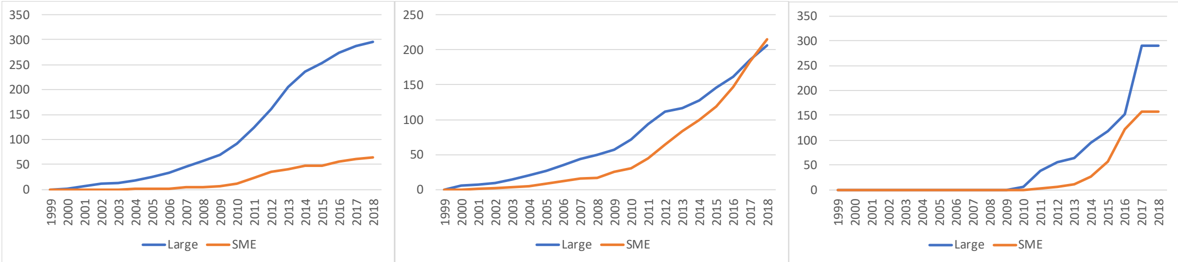

Figure 4.4: Evolution of the total number of SMEs and large firms in GRI (left), UNGC (center) and GSC (right) in Germany.

In Germany, GRI and UNGC have a longer history than GSC and first German firms started engaging with the frameworks nearly two decades ago. For large firms, relevance of GRI in Germany compared to UNGC is elevated for GRI (around 58.9% of total GRI and UNGC large firms report in GRI) and for German SMEs elevated for UNGC (around 77.1% of total GRI and UNGC SMEs report in UNGC) as of 2018. GSC is the most prominent framework for firms in the German context, but since 2017 clearly dominated by large firms. The GRI reporting pattern resembles the EU's discussed previously, however, growth for SMEs and large firms is slightly stronger over the past couple of years. Consequently, the accumulated number of firms reporting according to GRI diverges slightly from the logistics curve model, however, still indicates lower growth and therefore saturation in SR in Germany especially among large firms. SMEs started engaging more significantly in GRI reporting since 2011. Their number has grown steadily ever since, yielding an overall share of 17.8% which is slightly below SMEs' share in GRI in the EU. UNGC participation equally resembles global and EU patterns, i.e. SMEs dominate the framework. However, SME dominance over large firms in UNGC participation is not as strong as for overall EU levels. Table 4.4 shows the evolution of the total number of SMEs and their share per framework. German SMEs' and large firms' share among all EU SMEs and large firms is 11.0% and 11.6% for GRI and 8.1% and 10.8% for UNGC, respectively.

While UNGC is the most popular framework among German SMEs, overall, GSC counts most firms of which two thirds are large firms and one third SMEs. GSC has surpassed GRI and UNGC in 2017, however, only due to a surge in large firm reporting for 2017. Large firms started reporting in GSC for 2010, the year of the framework's inception. First SMEs registered with the framework in 2011 and have increasingly joined over the past five years. While the number of SMEs newly reporting in GSC has grown constantly since the framework's inception, the number of large firms newly reporting has alternately increased and decreased. Consequently, in 2016 the ratio of German SMEs and large firms nearly balanced. For 2017, however, the number of large firms filing reports in GSC nearly doubled.

Around three-quarter of firms reporting for the first time in 2017 indicate the necessity to comply with mandatory German SR requirements based on Directive 2014/95/EU. Firms report according to GSC but also upload reports based e.g. on GRI4, according to which can be reported in GCDS under some minor adjustments.

Table 4.4: Evolution of the total number of SMEs in GRI, UNGC and GSC in Germany and their share in percent (of total SMEs and large firms).

	Year	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18
GRI	**Total**	0	0	0	0	0	2	2	2	4	5	7	11	24	36	41	47	48	55	61	64
	(%)	0.0	0.0	0.0	0.0	0.0	9.5	7.4	5.6	8.2	7.9	9.1	10.8	16.3	18.2	16.7	16.6	15.9	16.8	17.5	17.8
UNGC	**Total**	0	0	1	2	4	5	8	12	15	17	25	30	45	64	84	99	119	147	183	215
	(%)	0.0	0.0	12.5	16.7	22.2	19.2	23.5	25.5	25.9	25.4	30.5	29.4	32.6	36.6	42.0	43.8	44.9	47.7	49.6	51.1
GSC	**Total**	0	0	0	0	0	0	0	0	0	0	0	0	2	6	12	26	57	122	157	157
	(%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.9	9.8	15.8	21.7	32.6	44.5	35.1	35.1

These results can be explained against extant literature and have several implications. Due to the socio-cultural and economic proximity among EU countries, GRI and UNGC reporting patterns in Germany are comparable to the EU. The share of German firms among EU firms indicates proportionally greater presence of large firms compared to SMEs. Extant literature outlines strong SME engagement in SR for other EU countries (Perrini et al., 2007; Ayuso et al., 2013), accounting for SMEs' reduced share among German SMEs. Reporting in GSC requires firms to file reports and comply with certain principles, or, in case of non-compliance, requires firms to explain non-compliance. Reporting consequently requires an increased effort for firms to comply with GSC compared to UNGC, similar to GRI. SMEs' activity in GSC is consequently reduced. Results further indicate the surge of large firms filing reports for 2017 is attributable to mandatory SR requirements. Since 2017, certain German large firms are legally obliged to report annually on social and environmental issues. GSC is an accepted layout to comply with SR requirements (GSC Overview, 2018) and most firms reporting for the first time in 2017 indicate required compliance with the law. This result is in line with previous studies that discuss legislation as driver for adopting SR (Marimon et al., 2012; Gulenko, 2018). In their literature review on determinants of SR, Hahn and Kühnen (2013, p. 13) confirm academic studies "usually confirm an increase in the adoption and extent of (environmental) reporting following tightened regulation". Especially financial institutions have increased reporting under the new SR regulation in Germany and thus contribute to growth.

4.5.4 Sectorial Differences in SR

Numerous studies recognize industry as a sensitive variable for SR (Simnett and Vanstraelen, 2007; Morhardt, 2009). We therefore analyze sectorial differences in SR between SMEs and large firms for GRI and UNGC. Figure 4.5.1 shows the global development in SR of the six major sectors for large firms in GRI, while figure 4.5.2 shows the equivalent for SMEs.

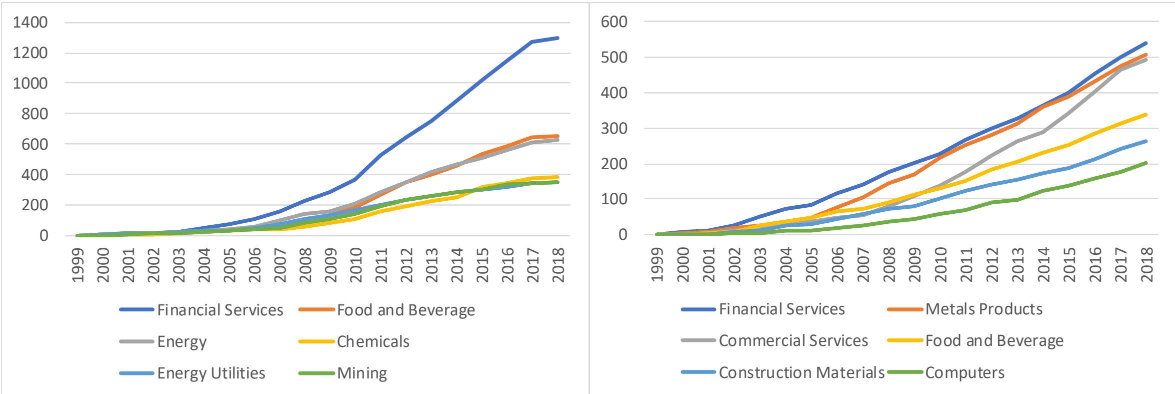

Figure 4.5.1: Evolution of the total number of large firms of the six major sectors globally in GRI (left) and UNGC (right) (as of 2018).

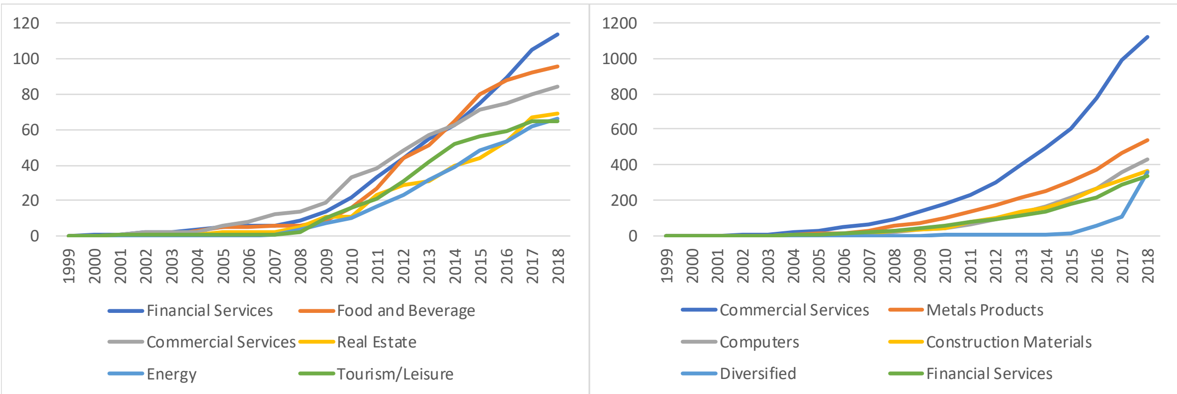

Figure 4.5.2: Evolution of the total number of SMEs of the six major sectors globally in GRI (left) and UNGC (right) (as of 2018).

Financial institutions represent the dominant sector among large firms in GRI. The second largest sector food and beverage products only counts around half the number of firms (1,295 and 654, respectively). Energy, chemicals, energy utilities and mining are also among the top six sectors. Since 2010, growth within most sectors has accelerated but remains relatively constant ever since. Financial institutions also represent the dominant sector among large firms in UNGC (540 firms). The second and third largest sector, metals products and commercial services, however, nearly count the same number of firms (506 and 493, respectively). Food and beverage products, construction materials and computers are also among the six largest sectors. Growth for all sectors has nearly been linear for the last decade, slightly increasing for some such as commercial services in recent years. Financial institutions also constitute the dominant sector among SMEs in GRI (114 firms), however, sectorial differences are considerably smaller than for large firms. Moreover, financial institutions only dominate reporting since 2016. Food and beverage products, commercial services, real estate, energy and tourism/leisure are among the other five major sectors. As for large firms, growth is accelerating since 2010 and remains relatively constant ever since. Unlike large firms in UNGC, commercial services are the dominant sector among SMEs in UNGC (1,120 firms). The second largest sector, metals products, only counts around half the number of firms (537 firms). Computers, construction materials, diversified and financial services firms are also among the six major sectors and contribute approximately equal numbers of firms. The six major sectors of GRI and UNGC large firms have a share of 37.5% and 51.3% of all GRI and UNGC large firms, respectively. The share of GRI and UNGC SMEs of all GRI and UNGC SMEs is 32.6% and 58.7%, respectively.

These results are in line with findings from other studies that identify respective sectors as the dominant ones (Marimon et al., 2012; Del Mar Alonso-Almeida et al., 2014). According to legitimacy and stakeholder theory, especially firms from environmentally or socially sensitive industries need to engage in SR to respond to (sector-specific) stakeholder pressure (Hahn and Kühnen, 2013; Del Mar Alonso-Almeida et al., 2014). Sensitive industries include the financial and energy sector (including oil and gas) (Marimon et al., 2012; Del Mar Alonso-Almeida et al., 2014; Carini et al., 2018), construction (materials), automotive and electronics industries (Schreck and Raithel, 2018; Schöggl et al., 2016) as well as chemicals, metals and mining and food and beverages (Marimon et al., 2012; Schreck and Raithel, 2018). Our analysis finds most major sectors of the two frameworks to be among these industries, supporting respective arguments. Especially the financial sector as a whole has undergone severe criticism globally and has been increasingly regulated, possibly explaining its omnipresence across the reporting frames (Del Mar Alonso-Almeida et al., 2014). Foremost large firms use GRI as a reporting tool to provide for protection against stakeholder pressure due to social or environmental violations as GRI facilitates credible stakeholder communication on sustainable aspects (Willis, 2003; Elsayed, 2006; Luna Sotorrio and Fernandez Sanchez, 2010). Consequently, the six major sectors among large firms in GRI and UNGC nearly entirely consist of sensitive industries. Notable exceptions among the six major sectors comprise commercial services and tourism/leisure among SMEs in GRI and commercial services among SMEs and large firms in UNGC. Taking on arguments from institutional theory, SR in these sectors is likely "driven by mimetic tendencies within sectors, which would explain the presence of reporting activities despite the absence of legitimacy threats or stakeholder pressure" (Hahn and Kühnen, 2013, p. 13).

4.5.5 SR Across Two or More Frameworks

In total, the three databases contain 3,477 firms reporting in two or more frameworks of which 1,705 are listed in the GRI, 1,668 in the UNGC and 104 in the GSC database. After removing duplicates, we retain 1,720 firms reporting in one or more framework. The proportion of firms reporting across all three frameworks as well as those choosing GSC as a starting point for first-time SR are negligible. Our analysis therefore focuses on GRI and UNGC. Figure 4.6 shows the total number of firms newly reporting in more than one framework globally and in Germany.

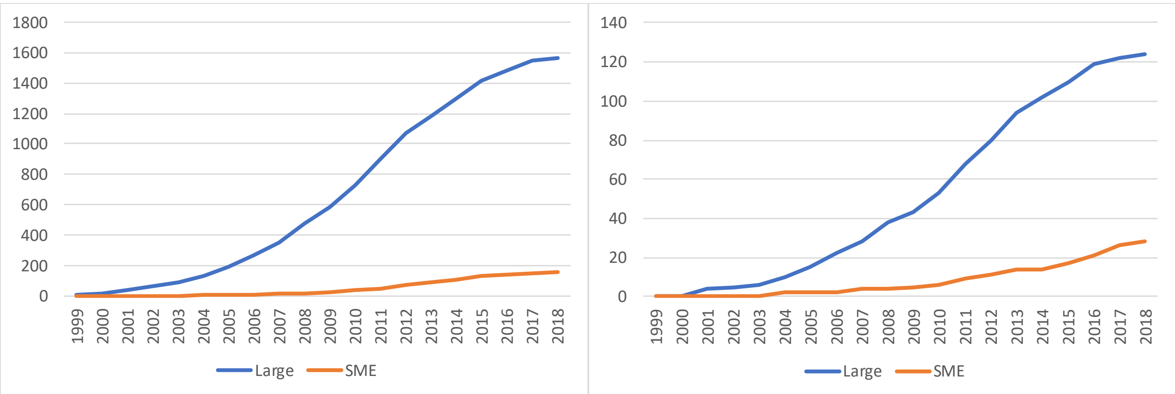

Figure 4.6: Evolution of the total number of SMEs and large firms reporting in more than one framework globally (left) and in Germany (right).

While reporting across at least two frameworks has steadily increased over time, globally as well as in Germany, firms increasingly tend to focus on either GRI or UNGC. Consequently, the total number of firms per year newly reporting in more than one framework resembles a logistics curve previously discussed in the country context. Especially large firms follow this pattern, while SMEs' growth over the past years has been slightly stronger and thus diverges. Of all firms marked as reporting in more than one framework, 1,566 are large firms (91.0%) and only 154 are SMEs (9.0%). This ratio is shifted towards SMEs in the EU (643 large firms (88.9%) and 80 SMEs (11.1%)) and in Germany (124 large firms (81.6%) and 28 SMEs (18.4%)) and is shifted towards large firms in Asia (92 large firms (93.9%) and 6 SMEs

(6.1%)). Table 4.5 shows the evolution of the total number of SMEs and their share per region. With regards to the framework chosen for first reporting activity, there exist considerable differences between GRI and UNGC globally. The ratio of SMEs first participating in UNGC before engaging in GRI reporting is especially strong and around 2.0:1. The ratio for large firms is shifted towards GRI, however, still around 1.2:1 with UNGC as a starting point. UNGC immediately registers companies while GRI requires annual reports which can only be submitted at the end of the business year. Thus, a time lag of one year is reasonable. On average, however, the time lag amounts to more than 3 years before firms embrace reporting in more than one framework, indicating support for UNGC being the preferred entry point for sustainability reporting.

Table 4.5: Evolution of the total number of SMEs by region reporting in more than one framework and their share in percent (of total SMEs and large firms in a respective region).

	Year	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18
World	Total	0	0	0	1	1	4	5	6	14	19	27	36	51	72	93	109	129	138	146	154
	(%)	0.0	0.0	0.0	1.5	1.1	2.9	2.6	2.2	3.8	3.8	4.4	4.7	5.4	6.3	7.3	7.7	8.4	8.5	8.6	9.0
EU	Total	0	0	0	0	0	3	4	4	9	12	19	23	34	44	54	59	65	71	77	80
	(%)	n/a	0.0	0.0	0.0	0.0	4.1	3.8	3.0	5.2	5.5	6.8	6.8	8.3	9.1	10.0	9.8	10.0	10.3	10.8	11.1
Asia	Total	0	0	0	1	1	1	1	1	1	1	1	2	2	3	3	3	4	5	5	6
	(%)	n/a	n/a	0.0	50.0	50.0	25.0	25.0	12.5	12.5	5.0	3.7	5.4	4.0	5.1	4.6	4.2	5.3	5.9	5.2	6.1
GER	Total	0	0	0	0	0	2	2	2	4	4	5	6	9	11	14	14	17	21	26	28
	(%)	n/a	n/a	0.0	0.0	0.0	16.7	11.8	8.3	12.5	9.5	10.4	10.2	11.7	12.1	13.0	12.1	13.4	15.0	17.6	18.4

Despite SMEs' increased reporting activity in general across the three frameworks, these results indicate notable differences among SMEs and large firms. SME idiosyncrasies such as more limited knowledge and resources compared to large firms likely explain SMEs' more focused approach on only one SR framework (Jenkins, 2004; Parker et al., 2009; Ferenhof et al., 2014). However, the continuously growing share of SMEs reporting in two or more frameworks indicates a time-lag similar to SR in general as discussed previously. It is thus likely SMEs further increase their share. As SMEs professionalize over the long term, however, they are likely to increasingly focus on one framework. The decreasing number of firms newly reporting across multiple frameworks in general might result from firms' more informed decisions nowadays due to easier access to information. GRI and UNGC are thus likely to increasingly compete for firms in the future. GRI, due to its higher use for large firms and applicability in case of mandatory SR, appears of bigger importance for large firms. UNGC, due to being easily accessible and allowing for symbolic statements irrespective of legal requirements, appears more relevant for SMEs. UNGC has been criticized as being too unspecific and only considering minimal requirements without any control mechanisms (Rasche, 2009; Voegtlin and Pless, 2014). Nevertheless, UNGC's pertinence for SMEs, in general as outlined previously and as a possible starting point for SR, suggests it is especially relevant for SMEs seeking to engage in SR. Results also indicate regional differences. The lower number of firms reporting in more than one framework in the Asia cluster compared to the EU can be explained by UNGC's generally lower diffusion across Asia (4,563 firms in the EU and 778 in the Asia cluster, yielding a ratio of 5.9:1). The lower number of firms reporting in more than one framework (723 firms in the EU and 98 in the Asia cluster, yielding a ratio of 7.4:1) can be explained by the EU's leading position and its longer history in SR as well as its explicit CSR culture (Matten and Moon, 2008; Davidson et al., 2018). SMEs in Germany come from an economically strong background while possibly having less experience in CSR compared to SMEs from other EU countries. Consequently, German SMEs show an increased share in reporting across two or more frameworks compared to the other regions.

4.6 Concluding Remarks

In this paper, we analyze and discuss company engagement in formalized CSR by way of SR, engaging an overall sample of nearly 20,000 firms. We focus on SME engagement in formal CSR and the relevance reporting frames have for SME SR while providing a perspective on SMEs' future contribution to sustainable reporting and development. We therefore consider SR worldwide across three major reporting frameworks, GRI, UNGC and GSC, thereby also providing insights into reporting across the three frameworks. Large firms clearly dominated SR for many years. However, SMEs are gaining ground and increase their share within each of the three frameworks included in this study. Results for all levels of analysis, the global, European and Asian as well as the German one, commonly indicate strong growth of reporting firms across all frameworks. GRI appears to be more relevant for large firms and UNGC for SMEs. Larger firms cause greater impacts, are more visible and therefore face greater stakeholder scrutiny, pressure and legitimacy threats than SMEs. As GRI-reporting is a well-accepted tool for credibly communicating about sustainability issues, especially large firms may find it useful to deal with stakeholder pressure and address legitimacy concerns. SMEs start increasingly embracing GRI reporting, however, their share remains low. As opposed to GRI, UNGC is a popular choice for SMEs. For many years UNGC has been trying to engage an increasing number of SMEs, which nowadays have a bigger share in UNGC than large firms. Joining UNGC is comparatively easy for firms and requires lower resources compared to other frameworks. This benefits generally resource-scarce SMEs who bear a relatively higher cost of external CSR communication than large firms, and helps overcoming initial barriers of SR (Baumann-Pauly et al., 2013; Ferenhof et al., 2014). Consequently, mainly large firms engage in SR across more than one reporting framework, for it requires extended knowledge and resources. Firms increasingly make a choice between reporting in either GRI or UNGC, however, the latter remaining a popular entry point for firms reporting for the first time on sustainability matters.

Against some former beliefs and in line with more recent research, results of this study indicate SMEs increasingly engage in some form of formalized CSR such as SR. Thus, despite their overall minuscule proportion, SMEs can have the capacity and motivation for SR, irrespective of their financial performance (UNIDO, 2003; Hahn and Kühnen, 2013). Firms in the EU and Germany were among the first to report on their social and environmental impacts, and for many years have been leading in SR globally. However, legitimacy concerns, stakeholder pressure and isomorphic processes among Asian firms, notably Chinese, have led to a sharp increase in SR in the region. This observed surge over the last few years is likely to continue for some time, possibly leading to more Asian firms than EU firms reporting according to GRI in some years' time. Government initiatives on sustainable development e.g. in China support this development. In line with developments in Asia as well as extant research, our findings indicate mandatory SR in Germany leads to an increase in the number of firms filing reports, especially of those directly affected by reporting requirements. Thus, spurred by institutional (governmental) pressures, previously largely voluntary SR activities grow among a wider sphere of firms. It is thus likely that increasingly firms from sectors other than the currently dominating socially and environmentally sensitive ones will report in the future.

Whereas in the past mandatory reporting initiatives have focused on large firms, some form of mandatory SR or in any case increased governmental support might also be relevant for SMEs. Numerous scholars argue for mandatory sustainability measures for SMEs or a governmental CSR approach that includes SMEs and not only large firms (Nidasio, 2004; Cassells and Lewis, 2011; Ferenhof et al., 2014; Fifka and Reiser, 2015; Camilleri, 2016). Stakeholder pressure and legitimacy issues have been less relevant for SMEs compared to large firms in the past. Only recently, large customer firms have started holding their supply chains, often consisting of SMEs, responsible for their environmental and social actions. While reasons for SMEs to engage in CSR and SR are manifold, arguments from stakeholder and legitimacy theory only have limited significance for SME SR. Research finds firms are more likely to act in a responsible way in the presence of legal regulation (Haigh and Jones, 2006; Campbell, 2007). Moreover, mandatory SR has been discussed as the most effective mechanism to introduce CSR to SMEs (Rutherfoord et al., 2000). Some authors insinuate SMEs to become active in CSR only "in response to threats and sanctions from regulatory authorities or the government."

(Ferenhof et al., 2014, p. 46). Precedent arguments and findings from large-firm mandatory SR thus indicate governmental engagement in SME SR likely has a positive effect on formalized SME CSR engagement. Governmental engagement can help SMEs to overcome the difficulties they encounter with regard to a more profound integration of CSR into strategies and operations; thus, to improve business ethics among SMEs (Fifka and Reiser, 2015). For example, governmental reporting frameworks can support the wider diffusion of CSR culture and adoption of related instruments (Nidasio, 2004). Governmental engagement might help to overcome the awareness gap and support those firms willing to engage in SR (Ferenhof et al., 2014; Hörisch et al., 2015). Moreover, "compulsory reinforcement of the regulatory measures may possibly result in efficiencies and operational cost savings for businesses, in the long term" (Camilleri, 2016, p. 21).

Future research may build on the conclusions drawn in this study and address some of its shortcomings. An issue inherent to all studies using data from databases is that data might be outdated or missing. An approach of wider collaboration among SR frameworks and researchers can thus lead to higher data quality. Moreover, research could be extended through a large-scale cross-sectoral survey, exploring interrelationships between factors affecting SR (including governmental engagement) in SMEs more fully by using multivariate methods of analysis. Future research might also consider UNGC participants excluded from the framework to thoroughly analyze firms' past reporting behavior. Finally, besides researching the effects of mandatory SR on reporting quantity, reporting quality might be of interest; the effects could also be challenged against national reporting frameworks other than GSC in Germany. Despite its limitations, this paper makes several contributions to the CSR literature. First, it underlines SMEs' potential to engage in formalized CSR such as SR and seeks to contribute to recent work encouraging formalized SME CSR engagement. SMEs can take initiative regardless of their idiosyncrasies, country of origin, industry or the framework chosen according to which respective information is prepared. "Sustainable development as a concept captures most issues facing our societies, which means there are endless possibilities for companies to find strategies that will impact – and hopefully improve – their social and environmental performance" (Loucks et al., 2010, p. 178). Second, the article provides insights into SME and large firm SR in GRI and UNGC, two of the world's major reporting frames, as well as GSC in the German context. By discussing each framework with respect to firm size and industry as well as SR across GRI and UNGC, the article provides perspective on the current and future relevance of the frameworks. For their overall collective impact, SMEs need to become an integral component of sustainable development. In an increasingly formalized business environment, it might be fruitful to strengthen an extant voluntary bottom-up movement by a regulatory top-down approach providing information and guidance (Parker et al., 2009; Brammer et al., 2012). Sustainable development is only possible, when firms irrespective of their size holistically contribute.

4.7 Appendix

Firms newly listed and cumulative number of firms per year in a respective framework and region. The percent share is calculated based on 2018.

World

	Year	**'99**	**'00**	**'01**	**'02**	**'03**	**'04**	**'05**	**'06**	**'07**	**'08**	**'09**	**'10**	**'11**	**'12**	**'13**	**'14**	**'15**	**'16**	**'17**	**'18**
GRI - large	**New**	12	39	89	86	84	140	157	266	290	486	508	671	1201	1062	858	869	894	921	927	201
	%	*0.1*	*0.4*	*0.9*	*0.9*	*0.9*	*1.4*	*1.6*	*2.7*	*3.0*	*5.0*	*5.2*	*6.9*	*12.3*	*10.9*	*8.8*	*8.9*	*9.2*	*9.4*	*9.5*	*2.1*
	Cumul.	*12*	*51*	*140*	*226*	*310*	*450*	*607*	*873*	*1163*	*1649*	*2157*	*2828*	*4029*	*5091*	*5949*	*6818*	*7712*	*8633*	*9560*	*9761*
GRI - SME	**New**	0	1	3	4	3	8	18	24	30	57	82	104	167	157	130	151	173	132	165	108
	%	*0.0*	*0.1*	*0.2*	*0.3*	*0.2*	*0.5*	*1.2*	*1.6*	*2.0*	*3.8*	*5.4*	*6.9*	*11.0*	*10.3*	*8.6*	*10.0*	*11.4*	*8.7*	*10.9*	*7.1*
	Cumul.	*0*	*1*	*4*	*8*	*11*	*19*	*37*	*61*	*91*	*148*	*230*	*334*	*501*	*658*	*788*	*939*	*1112*	*1244*	*1409*	*1517*
UNGC- large	**New**	0	35	48	104	130	165	99	207	204	270	245	273	329	312	274	292	316	426	428	410
	%	*0.0*	*0.8*	*1.1*	*2.3*	*2.8*	*3.6*	*2.2*	*4.5*	*4.5*	*5.9*	*5.4*	*6.0*	*7.2*	*6.8*	*6.0*	*6.4*	*6.9*	*9.3*	*9.4*	*9.0*
	Cumul.	*0*	*35*	*83*	*187*	*317*	*482*	*581*	*788*	*992*	*1262*	*1507*	*1780*	*2109*	*2421*	*2695*	*2987*	*3303*	*3729*	*4157*	*4567*
UNGC - SME	**New**	0	1	4	13	22	39	38	79	95	134	162	203	299	335	401	383	521	749	965	922
	%	*0.0*	*0.0*	*0.1*	*0.2*	*0.4*	*0.7*	*0.7*	*1.5*	*1.8*	*2.5*	*3.0*	*3.8*	*5.6*	*6.2*	*7.5*	*7.1*	*9.7*	*14.0*	*18.0*	*17.2*
	Cumul.	*0*	*1*	*5*	*18*	*40*	*79*	*117*	*196*	*291*	*425*	*587*	*790*	*1089*	*1424*	*1825*	*2208*	*2729*	*3478*	*4443*	*5365*

EU

	Year	**'99**	**'00**	**'01**	**'02**	**'03**	**'04**	**'05**	**'06**	**'07**	**'08**	**'09**	**'10**	**'11**	**'12**	**'13**	**'14**	**'15**	**'16**	**'17**	**'18**
GRI - large	**New**	6	17	39	30	41	66	74	88	100	152	168	194	267	297	243	286	185	144	85	57
	%	*0.2*	*0.7*	*1.5*	*1.2*	*1.6*	*2.6*	*2.9*	*3.5*	*3.9*	*6.0*	*6.6*	*7.6*	*10.5*	*11.7*	*9.6*	*11.3*	*7.3*	*5.7*	*3.3*	*2.2*
	Cumul.	*6*	*23*	*62*	*92*	*133*	*199*	*273*	*361*	*461*	*613*	*781*	*975*	*1242*	*1539*	*1782*	*2068*	*2253*	*2397*	*2482*	*2539*
GRI - SME	**New**	0	1	1	1	3	6	10	10	16	14	48	56	85	83	55	82	40	36	16	21
	%	*0.0*	*0.2*	*0.2*	*0.2*	*0.5*	*1.0*	*1.7*	*1.7*	*2.7*	*2.4*	*8.2*	*9.6*	*14.6*	*14.2*	*9.4*	*14.0*	*6.8*	*6.2*	*2.7*	*3.6*
	Cumul.	*0*	*1*	*2*	*3*	*6*	*12*	*22*	*32*	*48*	*62*	*110*	*166*	*251*	*334*	*389*	*471*	*511*	*547*	*563*	*584*
UNGC -	**New**	0	19	17	69	90	74	41	47	67	113	107	112	158	120	121	109	133	160	173	171
	%	*0.0*	*1.0*	*0.9*	*3.6*	*4.7*	*3.9*	*2.2*	*2.5*	*3.5*	*5.9*	*5.6*	*5.9*	*8.3*	*6.3*	*6.4*	*5.7*	*7.0*	*8.4*	*9.1*	*9.0*
	Cumul.	*0*	*19*	*36*	*105*	*195*	*269*	*310*	*357*	*424*	*537*	*644*	*756*	*914*	*1034*	*1155*	*1264*	*1397*	*1557*	*1730*	*1901*
UNGC - SME	**New**	0	0	1	5	16	20	25	33	48	61	92	117	191	198	233	186	217	337	407	475
	%	*0.0*	*0.0*	*0.0*	*0.2*	*0.6*	*0.8*	*0.9*	*1.2*	*1.8*	*2.3*	*3.5*	*4.4*	*7.2*	*7.4*	*8.8*	*7.0*	*8.2*	*12.7*	*15.3*	*17.8*
	Cumul.	*0*	*0*	*1*	*6*	*22*	*42*	*67*	*100*	*148*	*209*	*301*	*418*	*609*	*807*	*1040*	*1226*	*1443*	*1780*	*2187*	*2662*

Asia

	Year	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18
GRI - large	New	0	1	3	6	1	4	3	10	16	46	65	80	180	214	141	150	169	471	573	61
	%	*0.0*	*0.0*	*0.1*	*0.3*	*0.0*	*0.2*	*0.1*	*0.5*	*0.7*	*2.1*	*3.0*	*3.6*	*8.2*	*9.8*	*6.4*	*6.8*	*7.7*	*21.5*	*26.1*	*2.8*
	Cumul.	*0*	*1*	*4*	*10*	*11*	*15*	*18*	*28*	*44*	*90*	*155*	*235*	*415*	*629*	*770*	*920*	*1089*	*1560*	*2133*	*2194*
GRI - SME	New	0	0	0	1	0	0	0	0	2	5	4	3	8	14	11	17	48	42	121	51
	%	*0.0*	*0.0*	*0.0*	*0.3*	*0.0*	*0.0*	*0.0*	*0.0*	*0.6*	*1.5*	*1.2*	*0.9*	*2.4*	*4.3*	*3.4*	*5.2*	*14.7*	*12.8*	*37.0*	*15.6*
	Cumul.	*0*	*0*	*0*	*1*	*1*	*1*	*1*	*1*	*3*	*8*	*12*	*15*	*23*	*37*	*48*	*65*	*113*	*155*	*276*	*327*
UNGC -	New	0	3	13	12	7	7	10	28	12	31	17	19	20	31	14	21	24	30	38	34
	%	*0.0*	*0.8*	*3.5*	*3.2*	*1.9*	*1.9*	*2.7*	*7.5*	*3.2*	*8.4*	*4.6*	*5.1*	*5.4*	*8.4*	*3.8*	*5.7*	*6.5*	*8.1*	*10.2*	*9.2*
	Cumul.	*0*	*3*	*16*	*28*	*35*	*42*	*52*	*80*	*92*	*123*	*140*	*159*	*179*	*210*	*224*	*245*	*269*	*299*	*337*	*371*
UNGC - SME	New	0	1	0	2	1	1	0	4	6	11	8	9	12	15	15	34	67	54	98	69
	%	*0.0*	*0.2*	*0.0*	*0.5*	*0.2*	*0.2*	*0.0*	*1.0*	*1.5*	*2.7*	*2.0*	*2.2*	*2.9*	*3.7*	*3.7*	*8.4*	*16.5*	*13.3*	*24.1*	*17.0*
	Cumul.	*0*	*1*	*1*	*3*	*4*	*5*	*5*	*9*	*15*	*26*	*34*	*43*	*55*	*70*	*85*	*119*	*186*	*240*	*338*	*407*

Germany

	Year	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18
GRI - large	New	0	1	6	4	2	6	6	9	11	13	12	21	32	39	43	31	17	20	14	8
	%	*0.0*	*0.3*	*2.0*	*1.4*	*0.7*	*2.0*	*2.0*	*3.1*	*3.7*	*4.4*	*4.1*	*7.1*	*10.8*	*13.2*	*14.6*	*10.5*	*5.8*	*6.8*	*4.7*	*2.7*
	Cumul.	*0*	*1*	*7*	*11*	*13*	*19*	*25*	*34*	*45*	*58*	*70*	*91*	*123*	*162*	*205*	*236*	*253*	*273*	*287*	*295*
GRI - SME	New	0	0	0	0	0	2	0	0	2	1	2	4	13	12	5	6	1	7	6	3
	%	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*3.1*	*0.0*	*0.0*	*3.1*	*1.6*	*3.1*	*6.3*	*20.3*	*18.8*	*7.8*	*9.4*	*1.6*	*10.9*	*9.4*	*4.7*
	Cumul.	*0*	*0*	*0*	*0*	*0*	*2*	*2*	*2*	*4*	*5*	*7*	*11*	*24*	*36*	*41*	*47*	*48*	*55*	*61*	*64*
UNGC -	New	0	6	1	3	4	7	5	9	8	7	7	15	21	18	5	11	19	15	25	20
	%	*0.0*	*2.9*	*0.5*	*1.5*	*1.9*	*3.4*	*2.4*	*4.4*	*3.9*	*3.4*	*3.4*	*7.3*	*10.2*	*8.7*	*2.4*	*5.3*	*9.2*	*7.3*	*12.1*	*9.7*
	Cumul.	*0*	*6*	*7*	*10*	*14*	*21*	*26*	*35*	*43*	*50*	*57*	*72*	*93*	*111*	*116*	*127*	*146*	*161*	*186*	*206*
UNGC - SME	New	0	0	1	1	2	1	3	4	3	2	8	5	15	19	20	15	20	28	36	32
	%	*0.0*	*0.0*	*0.5*	*0.5*	*0.9*	*0.5*	*1.4*	*1.9*	*1.4*	*0.9*	*3.7*	*2.3*	*7.0*	*8.8*	*9.3*	*7.0*	*9.3*	*13.0*	*16.7*	*14.9*
	Cumul.	*0*	*0*	*1*	*2*	*4*	*5*	*8*	*12*	*15*	*17*	*25*	*30*	*45*	*64*	*84*	*99*	*119*	*147*	*183*	*215*
GSC - large	New	0	0	0	0	0	0	0	0	0	0	0	6	33	16	9	30	24	34	138	0
	%	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*2.1*	*11.4*	*5.5*	*3.1*	*10.3*	*8.3*	*11.7*	*47.6*	*0.0*
	Cumul.	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*6*	*39*	*55*	*64*	*94*	*118*	*152*	*290*	*290*
GSC - SME	New	0	0	0	0	0	0	0	0	0	0	0	0	2	4	6	14	31	65	35	0
	%	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*1.3*	*2.5*	*3.8*	*8.9*	*19.7*	*41.4*	*22.3*	*0.0*
	Cumul.	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*2*	*6*	*12*	*26*	*57*	*122*	*157*	*157*

5 Conclusion

This thesis discusses CSR and sustainable development on a global and regional scale by using different methodological approaches. It emphasizes the holistic engagement needed by firms irrespective of their size to ensure sustainable development. To that end, chapter 2 provides a conceptual framework for firms to organize their CSR activities with regards to stakeholder requirements. It outlines the necessity for firms to actively take on a CSR agenda, if they want to benefit their stakeholders, and thereby, themselves. By clustering companies' CSR agendas within this framework, chapter 2 underlines the necessity to develop a knowledgeable and possibly strategic approach towards CSR and thus contributes to the introduction of social responsibility in organizations. Especially SMEs are increasingly facing stakeholder pressure, notably from their often large-firm customers, to operate sustainably. Due to SMEs' idiosyncrasies and the considerable differences among SMEs and large firms in organizing CSR, chapter 3 takes a closer look on the direct and indirect effects of mandatory CSR reporting on firms of different size in Germany. It finds firm size plays a role in the evaluation of mandatory reporting, however, only for firms directly affected by reporting requirements. Chapter 3 thus contributes to the understanding of when firm size matters in the case of mandatory SR and underlines the role of organizational resources and capabilities as well as the special position of SMEs. SMEs are not generally worse endowed to handle demands for formalized CSR. Research on SMEs and their access to (formal) CSR yields mixed results, however. As SMEs contribute the major share to the triple bottom line of environmental, social and economic aspects, chapter 4 therefore discusses formal CSR in SMEs and the associated relevance of selected sustainability reporting frameworks in depth. It explains firms' current and future reporting activities and outlines the relevance of reporting frameworks for SMEs and large firms. Chapter 4 concludes firms can and should proactively engage in formalized CSR, irrespective of firm size and background, to contribute to the sustainability agenda. The detailed analysis and discussion of developments across selected reporting frameworks sheds light on their relevance for current and future reporting of SMEs and large firms. Finally, chapter 4 argues for regulatory support especially for SMEs to be socially and environmentally responsible.

There is an increasing global voluntary engagement in CSR, and also mandatory initiatives become more important. Stakeholders of different background demand transparency along supply chains traversing countries and jurisdictions. Hence, firms irrespective of their sizes and idiosyncrasies should seek to contribute visibly for their stakeholders to sustainable development. Formalizing companies' sustainability agendas can contribute to that end, as it can demonstrate sustainable corporate behavior, help firms to better organize their approaches and thus to accommodate accelerating global requirements of sustainable development. Policy makers as well as non- or inter-governmental organizations can and should support extant bottom-up movements of formalizing CSR by providing guidance and knowledge to firms. This thesis thus contributes to a holistic, conscious and transparent approach to sustainability and highlights the relevance to include firms irrespective of their sizes in sustainable development.

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