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Whitney O. Peake  
*Western Kentucky University*

Philip E. Davis  
*East Carolina University*

Marcus Z. Cox  
*Stephen F Austin State University, mcox@sfasu.edu*

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**BEING GOOD FOR GOODNESS SAKE:  
THE INFLUENCE OF FAMILY INVOLVEMENT ON MOTIVATIONS  
TO ENGAGE IN SMALL BUSINESS SOCIAL RESPONSIBILITY**

**Whitney O. Peake**

Western Kentucky University  
whitney.peake@wku.edu

**Phillip E. Davis**

East Carolina University  
davisp14@ecu.edu

**Marcus Z. Cox**

Stephen F. Austin State University  
mcox@sfasu.edu

**ABSTRACT**

*Small family and nonfamily firms are acknowledged to serve as important facilitators of social responsibility within their communities; however, both have received relatively little attention in the literature for these efforts or their motivation for undertaking them. Grounded in Enlightened Self-Interest (ESI) and intentions, we explore motivations for participation in socially responsible behaviors and the moderating effect of family involvement. We develop measures for small business social responsibility (SBSR), ESI, and SBSR intentions. Our analyses indicate positive direct effects exist for both SBSR intentions and ESI on engagement in SBSR. We find that family involvement strengthens the relationship between ESI and participation in civic SBSR, thus suggesting that family firms may be partially motivated to “do good” in visible forms of SBSR to protect their own interests.*

**Keywords:** Family business, small business, social responsibility, enlightened self-interest, theory of planned behavior

## INTRODUCTION

Corporate social responsibility (CSR) has been heavily examined in the context of large, publicly traded corporations, yet little research has focused on CSR in small businesses (Gallo, 2004; Debicki, Matherne, Kellermanns, & Chrisman, 2009). Large corporations and small businesses likely share some similar motivations for engaging in CSR activities; however, a growing body of literature draws attention to differences across factors motivating small businesses to engage in these activities. Specifically, scholars argue that family firms differ from nonfamily firms in their general concern for CSR issues, as well as the types of social issues they view as most salient (Déniz & Suárez, 2005; Dyer & Whetten, 2006). Such research indicates that the underlying motives for engaging in small business social responsibility (SBSR) likely differ across family and nonfamily firms.

Traditional economic theory asserts that the role of managers is to maximize profits; however, a behavioral theory perspective of the firm (Cyert & March, 1963) counters this view by asserting that managers do not have perfect information, operate in a realm of bounded rationality, and may choose to pursue non-economic goals that divert resources from profit-maximization (Chrisman, Chua & Sharma, 2005). Chrisman, Chua, Pearson, and Barnett (2012: 268) contend that the pursuit of non-economic goals, “are likely to reflect the values, attitudes, and intentions of a firm’s dominant decision-making coalition;” thus, the motives for family businesses to pursue CSR activities may reflect the family’s desire to engage in activities that align with their personal values or that may be seen as instrumental actions leading to reciprocity from community stakeholders. Family

business scholars posit that it may be this emphasis on and pursuit of non-economic goals that distinguish family businesses from nonfamily businesses in undertaking a number of behaviors (e.g., Chrisman et al., 2005; Westhead & Howorth, 2007), including social responsibility.

We believe the extant literature in this area points to two important research questions. Investments in CSR activities often shift the firm’s focus from the primary profit-seeking function and may require a long-term orientation; thus, the question arises regarding what factors motivate small business owners to pursue such actions. Additionally, since prior researchers posit that small family and nonfamily businesses differ in their interest in and propensity to participate in social responsibility, do small family and nonfamily businesses differ in their motivation for and involvement in socially responsible behaviors? In an attempt to answer these questions, we employ enlightened self-interest (ESI) and intentions perspectives to propose motives for small businesses’ participation in socially responsible behaviors. Further, we examine the role of family involvement for its effect on the relationships between ESI and SBSR intentions and engagement in socially responsible behaviors.

To investigate our hypotheses, we utilize a sample of 207 small, family and nonfamily firms with fewer than 50 employees. By definition, all firms included in our sample are small firms; thus, we follow Lepoutre and Heene (2006) by referring to the CSR construct in this realm as small business social responsibility (SBSR). For the purposes of our study, SBSR refers to the contributions firms make for the good of their communities (Besser & Miller, 2004; Uhlaner, vanGoor-Balk, & Masural, 2004), since small businesses’ efforts and interests

may be more localized than those of larger corporations (Niehm, Swinney, & Miller, 2008). Based on the current literature related to CSR and SBSR, we developed items that provide three distinct measures for social responsibility – general SBSR, civic SBSR, and employee focused SBSR. Our results then provide a unique perspective on SBSR, and whether family and nonfamily businesses differ with regards to salience of SBSR activities, as other researchers have suggested (Déniz & Suárez, 2005).

The remainder of our paper is organized as follows. First, we discuss ESI and intentions as relevant lenses to provide a foundation for our arguments. Next, hypotheses are offered to depict how SBSR intentions and ESI may spur engagement in socially responsible behaviors, as well as the role of family involvement as a moderator of these relationships. We then discuss the data and methods used to test our hypotheses. Finally, we conclude with a discussion of the results and offer insights for future research.

### **THEORY AND HYPOTHESES**

During the past 50 years, firms have come under increasing pressure from a wide array of stakeholders to improve their performance on a host of non-economic metrics, such as environmental performance, community support, charitable giving, diversity in hiring practices, and employee welfare. Broadly speaking, these actions comprise a firm's corporate social responsibility (CSR), which refers to both the firm's economic responsibilities to its owners and its ethical and legal responsibilities to society (Carroll, 1991). Corporate philanthropy, a component of CSR, has received much attention by scholars and has been argued to

aid firms in enhancing relationships with government regulators and local communities (Barron, 2001), improving employee morale (Greening & Turban, 2000), attracting and retaining quality employees (Bhattacharya, Sen, & Korschun, 2008), enabling the attainment of key resources from stakeholders (Fombrun, Gardberg, & Barnett, 2000; Frooman, 1999), and improving company visibility and brand image (Porter & Kramer 2002). Lev, Petrovits, and Radhakrishnan (2010) found that corporate charitable giving was significantly associated with future revenue growth; thus, they conclude that “doing good is apparently good for you under certain circumstances” (198).

Conversely, scholars acknowledge that firms may invest in CSR activities as a preventative mechanism. Godfrey (2005) asserts that corporate good deeds produce “positive moral capital among communities and stakeholders” and that this capital can be used as a type of insurance in the event of future calamity (777). As such, prior research demonstrates that investments in CSR activities can lead to increased financial performance and aid in loss minimization (Godfrey et al., 2009) in times of crisis.

While the studies referenced above focus primarily on large corporations, current research suggests that CSR activities are important to small business success as well. Small businesses are more likely to participate in socially responsible issues that reflect owner values, provide social legitimacy, and are perceived to lead to firm profitability (Thompson, Smith, & Hood, 1993; Uhlaner et al., 2004). Additionally, Dyer and Whetten (2006) contend that family firms are motivated both by stewardship and the fear of negative outcomes; thus, their research indicates that

family businesses undertake socially responsible behaviors for ethical reasons and for personal gain. Although small and family businesses may be motivated by a number of factors (Spence & Rutherford, 2002), we explore SBSR in terms of enlightened self-interest and SBSR intentions, as well as the influence that family involvement may exert on these relationships.

### **Enlightened Self-Interest Theory**

Both Keim (1978) and Spence and Rutherford (2002) posit that owning and operating a business is based on much more than profit motivation. They argue that the reasons for involvement in owning and operating a business are multifaceted, socially constructed, and focused on long-term benefits. In the more general CSR literature (Galaskiewicz, 1985; Garriga & Melé, 2004; Lee, 2008) and small business literature (Besser & Miller, 2004; Niehm et al., 2008) scholars have addressed enlightened self-interest (ESI) as one of the primary theories to support the motivation for firm participation in social responsibility (Garriga & Melé, 2004). Enlightened self-interest (ESI) suggests that firms engage in socially responsible processes with the knowledge that they may receive benefit from such behaviors (Keim, 1978; Garriga & Melé, 2004; Lee, 2008). Prior research indicates that active involvement in social responsibility efforts assists in constructing a positive reputation (Moir, 2001), attracting and retaining employees (Moir 2001; Turban & Greening, 1997), obtaining positive associations with investors (Atkinson & Galaskiewicz, 1988), improving networks with key leaders and social movers in the community (Galaskiewicz, 1985; 1997), and engendering the loyalty of customers (Smith, 1994; Stendardi, 1992).

Since the interface between the business and personal lives of small business owners often overlap (Frone, Russell, & Cooper, 1992; Loscocco, 1997; Besser & Miller, 2004), the attitudes and personal values of the owner/operator likely influence participation in socially responsible behaviors. What is beneficial for the business also tends to benefit the owners' personal lives (Besser & Miller, 2004). Further, businesses and the communities in which they operate are viewed as having a mutually beneficial relationship, since the health of the community affects the success of the business and vice versa (Fitzgerald, Haynes, Schrank, & Danes, 2010; Nadim & Lussier, 2010). Small family and nonfamily firms are especially vulnerable to community economic health; thus, small firms are often viewed as taking an enlightened self-interest approach to social responsibility, since owner/managers have knowledge of the potential long-term benefit to the business from involvement in such activities (Jenkins, 2006; Niehm et al., 2008; Uhlaner et al., 2004).

Wilson (1980) found that most small business owners in her sample were concerned with social responsibility; however, approximately 90% of respondents in her study referred to profitability in their responses. Based on these responses, individuals involved in Wilson's (1980) study suggest the presence of ESI, given that they participated in social responsibility to improve profit, heighten reputation, and retain customers and employees. Besser and Miller (2004) confirm Wilson's assertions, since over half their respondents addressed ESI rationale in their responses, when ESI was related to maintaining image, cooperating with other community businesses, and strengthening the local community. Niehm et al. (2008) tie ESI concepts to the construction of

social capital within the community, since even impure altruism for the good of the community has the opportunity to improve both business and the community. Thus, we anticipate the following.

*H1: There is a positive relationship between ESI and participation in socially responsible activities.*

### **Small Business Social Responsibility Intentions**

Social scientists have long searched for ways of explaining human behavior. Perhaps two of the most oft cited attitude-behavior models used to study human behavior are the Theory of Reasoned Action (TRA) (Ajzen & Fishbein, 1980; Fishbein & Ajzen, 1975) and the Theory of Planned Behavior (TPB) (Ajzen, 1988, 1991). “Both models were designed to provide parsimonious explanations of informational and motivational influences on behavior,” (Conner & Armitage, 1998: 1429). According to the TRA, a person’s intentions to perform a behavior (e.g. stop smoking) are the most likely predictor of them engaging in that behavior. Intentions are in turn comprised of the person’s attitude toward that behavior and subjective norms (Langdridge, Sheeran, & Connolly, 2007).

Subjective norms “refer to perceived social pressures exerted on an individual to perform a behavior or not” (Aleassa, Pearson & McClurg, 2011: 665). It is possible that small firm owners feel pressure to conform to subjective norms from fellow community members and customers by engaging in socially responsible activities and that small business owners with positive attitudes toward socially responsible activities are the most likely to engage in them. However, the TRA was limited by its focus on volitional behaviors – those which the actor

was able to exert considerable control over, as well as possess the needed resources, skills and opportunities.

The TPB grew out of the TRA and specifically addressed non-volitional behaviors – those actions which required specific resources, skills and opportunities to accomplish (e.g. engaging in CSR activities). A central component of the TPB was the introduction of the actor’s perception of their ability to control the outcome of a behavior and not simply wish for an action to occur. The addition of perception control helped explain scenarios where intentions alone did not lead to desired behavior. This perception of control is referred to as perceived behavioral control (PBC) (Ajzen, 1991). As Conner and Armitage (1998) note, “if intentions are held constant, behavior will be more likely to be performed as PBC increases” (1431). Therefore, small business owners who have positive attitudes toward SBSR activities, who perceive subjective norms to engage in SBSR activities, and who believe they have sufficient resources, abilities, and opportunities to engage in CSR activities will do so (Cyert and March, 1963; Lawrence, 2008). It may also be possible that small business owner-managers perceive they have greater latitude of the use of firm resources for the pursuit of SBSR activities than do non-owner managers. This perceived greater autonomy of resource use could lead to increased PBC, which in turn would increase the likelihood that a small business owner would engage in socially responsible activities. Thus, we expect the following:

*H2: There is a positive relationship between SBSR Intentions and participation in socially responsible activities.*

**The Moderating Influence of Family Involvement**

As previously noted, family and nonfamily businesses have a variety of motivations for engaging in SBSR activities. In this section we identify the mechanisms by which prior research suggests that family firms differ from nonfamily firms. Broadly speaking, these mechanisms can be categorized as values, communication, and control. Hoffman, Hoelscher, and Sorenson (2006) note that family firms are unique in that the family members share what they term a moral infrastructure, which is defined as “the interpersonal structure or network that reinforces beliefs about self, family, business, and the larger community and how these entities should relate” (139). As values, beliefs, and norms are developed in the family unit, they then transfer to the business and influence the organizational culture (Lussier & Sonfield, 2009; Sorenson, Goodpaster, Hedberg, & Yu, 2009). Since the organization’s identity is closely linked to that of the owner (Ashforth & Mael, 1989), a family firm’s attitude towards socially responsible activities will likely stem from the owner’s personal experiences. Miller and Le Breton-Miller (2005) contend that the intentions, involvement, and values of the family coalition influence the nature of firm operations; thus, the attitude of the owner and the owning family may determine the level of engagement in SBSR. The result is that the family firm operates with a shared ethical view, reflecting family values.

Due to their intimacy and dual interaction at work and home, families also develop a shared language (Hoffman et al., 2006) that enables family members to communicate values and expected norms. Sorenson et al. (2009) observe that it is this ability to pass down shared values via their social structure that is unique in family businesses. Due to

this shared language and reinforced normative behavior, greater trust develops among family members.

Last, in order to exercise these values, family members must also possess enough control to direct the business in pursuit of goals aligned with family values. Because family members in a family business often occupy both the roles of principal and agent they may have greater latitude and security in pursuing strategies that do not directly lead to profit maximization. Managers in non-family firms may fear that they will be terminated if financial goals are not met and therefore may not pursue non-economic goals and can hold detrimental effects if growth and primarily economic goals are not at the forefront of the family’s objectives (Lussier, Sonfield, and Barbato, 2009). Laverty (1996) observed that managers acting as agents often suffer from “short-termism” in that they are likely to pursue actions that have greater short-term payoff, but may be suboptimal for the long-term success of the firm. Because in small family firms the managers are often both principal and agent, they enjoy greater goal alignment and need not worry that pursuit of non-economic goals will be punished by the principal. Given the motivation to project the family name and the business in a positive light, most family business owners and coalitions avoid action or inaction which negatively influences these factors (Block, 2010).

As noted above, the notion of an owner’s heightened ESI may influence how the firm is perceived by stakeholders. Given this perspective, owners and managers of family businesses may identify more strongly with the firm as a social entity and not purely as a means for profit generation than do their counterparts in non-family businesses (Block, 2010). While the owner of a family

firm is concerned with overall profitability, he or she will likely engage in behaviors that enhance the firm's reputation in hopes of positively influencing the firm's bottom line. In one of the few family business-social responsibility studies, Niehm et al. (2008) found that family businesses likely operate under the enlightened self-interest model when engaging in socially responsible behaviors within their communities. Economic perspectives of altruism, suggest that family business owners are motivated by self-interest in "doing good" since altruism concurrently addresses the satisfaction of both the "self" and "others" (Schulze, Lubatkin, Dino, & Buchholtz, 2001), which raises utility.

Based on the tenets of TPB, if a family business plans to engage in socially responsible behaviors, those activities are more likely come to fruition (Lepoutre & Heene, 2006). Given its role in the greater society, Belardinelli (2002) argues that intentions begin with a sense of family virtue and contends that the family unit instills values and virtues in an individual throughout his or her life. When placed in business environments, particularly those found in family firms, individuals project these virtues and values into the fabric of the organization. The planned behavior of participating in socially responsible activities becomes a tradition of the family business (Lumpkin, Martin, & Vaughn, 2008), which becomes a routine or frequent occurrence of organizational life. Therefore, to successfully execute the intentions of engaging in SBSR, family businesses must understand the role they play in the overall local environment and find a way to intricately weave SBSR activities into its overall goals and strategy (Garriga & Melé, 2005).

Prior research indicates that family versus nonfamily ownership may exert a significant influence on small businesses (Campbell, Line, Runyan, & Swinney, 2010). Based on the tenets of ESI and TPB, we hypothesize the following moderating effect of family involvement on the prior hypothesized relationship of ESI and intentions with participation in SBSR activities.

*H3a: Family firm involvement strengthens the relationship between ESI and involvement in socially responsible activities.*

*H3b: Family firm involvement strengthens the relationship between SBSR Intentions and involvement in socially responsible activities.*

## **DATA AND METHODS**

Participants in this study were obtained through an entrepreneur interview assignment in entrepreneurship and management courses at a large southwestern university during the Fall 2012 semester using snowball sampling techniques (Heckathorn, 2011). Snowball sampling refers to a technique in which individuals informed of a particular research objective attempt to identify and obtain data from other individuals they believe to meet certain specifications set forth by the researcher(s) (Spren, 1992). Although snowball sampling does not allow for a random sample, it may provide access to a more diverse sample than otherwise could be achieved (McGee, Peterson, Mueller, and Sequeira, 2009). Prior researchers in entrepreneurship and small business have used this technique to identify nascent entrepreneurs and women entrepreneurs (e.g., McGee et al., 2009;



Schindehutte, Morris, and Brennan, 2003). Aligned with the procedures of McGee et al. (2009), students served as the preliminary points of contact for the entrepreneurs involved in this study. Although small business owners are not “hidden” populations as is often the case when researchers employ snowball sampling techniques, privately held small businesses involved in social responsibility initiatives are not readily identifiable via publicly available sampling lists or frames (Faugier and Sargeant, 1997), an important criteria in using snowball sampling techniques. Thus, we consider snowball sampling an appropriate approach to access

small family and nonfamily firm owners in this context.

Survey instruments were administered to each business owner interviewed. The primary requirements for inclusion in the study were that each individual interviewed must be an owner/founder of the business and involved in the day-to-day operations of the firm. A total of 237 surveys were collected; however, after removing duplicate and incomplete surveys, 207 responses remained. Please see Table 1 for the basic demographic characteristics of the respondents.

**Table 1: Respondent Demographics**

	Frequency	Percentage (%)
<b>Gender</b>		
Male	124	59.90
Female	83	40.10
<b>Ethnicity</b>		
White	135	67.16
Black	21	10.45
Other	45	22.39
<b>Education</b>		
HS	22	10.63
Some college	61	29.47
Associate's	14	6.76
Bachelor's	82	39.61
Master's	18	8.70
Doctorate/Professional	9	4.35
<b>Age</b>		
20-34	83	40.10
35-49	67	32.36
50-64	51	24.64
65+	6	2.9
<b>Family Involvement</b>		
No Involvement	77	37.20
Less than 50% Ownership Involvement	3	1.45
50-99% Ownership Involvement	14	6.80
100% Ownership Involvement	113	54.59

Although common method variance is often a concern in field studies in which analyses rely on one respondent (Podsakoff & Organ, 1986), we have attempted to mitigate these issues in our data collection process and present analyses in the results section, which indicates common method variance does not appear to be a concern with our data.

### **Exploratory Factor Analysis**

The SBSR items (general, civic, and employee focused) and ESI items included in our study were informed by prior research exploring CSR in the small and family business context (e.g., Besser & Miller, 2004; Fitzgerald et al., 2010; Niehm et al., 2008). The theory of planned behavior served as the basis of assessing intentions both at start-up and currently for the firm. Therefore, our full hypothesized research model includes five factors General SBSR, Civic SBSR, Employee Focused SBSR, ESI, and SBSR Intentions.

Before we utilize our model for prediction purposes, we must ground our proposed model. Exploratory factor analysis (EFA) should generally be used in cases where the variables of interest are either newly developed, as in the case of ESI, or have not been analyzed as a collective group, as in the case of the present study (Bandalos & Finney, 2010). We conducted EFA through principal components analysis (PCA) to identify the theorized constructs of interest. Since we are concerned with assessing the variance in a minimum number of factors to enable model prediction, the use of PCA is considered appropriate (Hair, Black, Babin & Anderson, 2010). PCA can yield composite variables that represent most of the information from the larger set of items used in the study (DeVellis, 2012).

Prior to our use of the results from the EFA for prediction purposes, we first assessed the quality and appropriateness of the data for PCA by determining the degree of interrelatedness of these items (Hair et al., 2010). The Bartlett test of sphericity ( $\chi^2 = 3937.316$  significance = .000) and the Kaiser-Meyer-Olkin measure of sampling adequacy (.875) both indicate that the data has sufficient correlations to support our use of PCA. Given this, we can reasonably expect that the resulting EFA will offer distinct, reliable factors.

Using Varimax rotation, the PCA produced a five-factor model, which accounts for 63.69% of the total variance. The resulting five factors identified all had eigenvalues greater than 1 and factor loadings that were greater than or equal to 0.50, which is necessary to be considered practically significant (Hair et al., 2010). Additionally, our sample size (N=207) is well above the size necessary (N=120) to obtain a .05 significance level based on a suggested power level of 80%. Based on the characteristics of our data and the EFA results, we believe the identified factors are distinct and suitable for prediction purposes.

### **Measures**

***Dependent Variables (General SBSR, Employee Focused SBSR).*** Based on prior research in social responsibility, we developed items related to involvement in socially responsible behaviors. These items covered a broad range of SBSR activities, such as providing daycare services for employees with small children, university giving, and supporting local civic efforts, to name a few. Respondents were asked to what degree participation in these activities characterized their firm on a scale from 1 = not important at all to 7 = extremely important. Additional related items were provided in a follow-up section in which

respondents were asked to rate their level of involvement in activities from 1 = No involvement at all to 7 = High involvement.

During the EFA described previously, three factors emerged representing involvement in socially responsible behaviors: General SBSR, Civic SBSR, and Employee Focused SBSR. The corresponding items for each factor were summed to provide a single measure. The first factor, termed General SBSR, represented general involvement in philanthropy and socially responsible activities ranging from supporting environmental causes to local needs (e.g., library improvement, animal shelters) to public or private school support. This measure consists of nine items, with a Cronbach's alpha of 0.89. The second factor, termed Civic SBSR, is comprised of three items representing giving to universities or institutions of higher education, supporting the community through participation in civic organizations, and involvement in civic organizations, such as Kiwanis, Rotary, etc. The Cronbach's alpha for the Civic SBSR measure is 0.77. The final social responsibility factor, deemed Employee Focused SBSR, is comprised of four items related to employee interests, such as providing a happy work environment, providing a safe work environment, treating employees fairly with sufficient wages and benefits, and providing professional development opportunities for employees. Cronbach's alpha for the Employee Focused SBSR measure is 0.87.

#### ***Enlightened Self-Interest***

Enlightened self-interest generally represents the individual's recognition that "doing good" is good for business. Based on researchers' prior discussions of ESI from a public relations perspective, we developed six items that suggest an

individual has some impurely altruistic motives in undertaking SBSR. Respondents were asked to rate the extent to which factors influenced their motivation to participate in social/environmental issues or philanthropic events/organizations on a 7-point Likert scale, from 1 = no influence at all to 7 = extremely influential. They rated the influence of the following items: increasing my customer base, improving the bottom line of my business, improving perceptions of my business within the community, keeping in line with my biggest competitors' giving behavior, improving my social status in the community, and making important community or political contacts. These six items were summed to create the final measure, ranging from ( $X = 6$ ) to ( $X=42$ ). Cronbach's alpha for this measure was 0.91.

#### ***SBSR Intentions***

SBSR intentions levels were assessed at both the start-up and current stages of firm development. Respondents were asked four questions related to how the following statements described their business on a 7-point Likert scale from 1 to 7, where 1 = not at all and 7 = very much. The items measuring SBSR Intentions are as follows: (1) Social or environmental aims, such as protecting the environment, building a better community, providing a higher quality work environment for employees, etc. were a driving force in starting my business; (2) Social or environmental aims, such as protecting the environment, building a better community, providing a higher quality work environment for employees, etc. were a driving force in currently operating my business; (3) Philanthropy, or giving, has been an important part of my business since start-up; (4) Philanthropy, or giving, is an important part of the current operations of my business. These four items were

summed to create the final measure. Cronbach's alpha for the SBSR Intentions measure is 0.86.

### ***Family Involvement***

For the purposes of this study, we follow the theoretical definition of the family firm introduced by Chua, Chrisman, and Sharma (1999), "a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families." (p. 25). In line with prior research, respondents were first asked whether or not they considered the business to be family-owned. Research suggests that the opinion of top management regarding whether or not the firm is perceived as a family firm is important in distinguishing family from nonfamily firms (Barbera & Hasso, 2013; Cooper, Upton, & Seaman, 2005; Craig & Dibrell, 2006; Westhead & Cowling, 1998). Since family involvement and vision are also considered important components of our definition (Chrisman et al., 2012), we interacted the family business perception measure with the percentage of the business owned by the family to obtain a scale of family involvement. The family involvement measure is reported in decimal form and ranges from 0% to 100% ( $X = 0$  to  $X = 1$ ).

### ***Owner, Firm, and Community Control***

We controlled for gender, ethnicity, and education level, which are traditional controls in the small and family business literatures. Additionally, we assessed the owner's primary goals of the firm to see if motives such as profit maximization, family income, or lifestyle interests factored into explaining the observed variances. A measure of the owner's long-term

orientation through family succession aspirations was controlled for by whether the owner intended to pass the business on to a family member. The aspiration for family succession was measured on a 7 point scale in which the individual indicated they believed ownership would remain in the family, from 1 = absolutely disagree to 7 = absolutely agree.

A number of firm-specific aspects were also accounted for in our analyses. We controlled for the size of the firm, as measured by the number of full-time employees, and the age of the firm. Additionally, we accounted for the legal structure of the firm (e.g. sole proprietorship, LLC, S-corp, etc.), as well as its industry affiliation.

The businesses in our study operate in a wide range of communities with populations ranging from a low of 822 residents to a high of 2,099,451 residents. We controlled for population level using data from the 2010 U.S. census at the city/town level. The population was divided into three dummy variables: population less than 20,000, population between 20,000 and 100,000, and population greater than 100,000. The high and low population variables were included in the models, with the mid-range populations serving as the reference.

## **RESULTS**

Prior to analyzing the data, we tested for multicollinearity and common method variance. After standardizing all continuous variables (Cronbach, 1987), we generated both variance inflation factor scores and condition index scores using STATA 12. All measures had VIF levels below 2.81, and condition index scores below 10.97; thus, multicollinearity did not appear to

pose a concern (Pedhazur, 1997; Fox, 1997). We attempted to minimize common method variance throughout the data collection process and likewise tested for common method variance through EFA. The first factor explained approximately 18.35% of the variance. This result suggests that common method variance does not appear to be a serious issue since no single factor appears to dominate. Based on the results of these analyses, we assume the data from our sample is appropriate for testing our hypotheses.

Means, standard deviations, and correlations were calculated for all variables of interest, and are reported in Table 2.

Correlations were in line with expectation; thus, no serious issues appear present, confirming the results of the multicollinearity analysis. We tested our hypotheses using linear regression with three dependent variables. Results of each analysis are reported in Table 3. For each dependent variable, three analyses were conducted. The first model (a) explores the effects of the controlling and independent variables. In the second model (b), the family involvement moderator was entered, and in the third model (c), the interaction effects between family involvement and intent and family involvement and ESI were included.

**Table 2: Descriptive Statistics and Correlations**

	Mean	Std. Dev.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
	24.47	13.25	1.00																			
	9.98	5.89	0.69*	1.00																		
d SBSR	19.38	8.80	0.25*	0.28*	1.00																	
	0.60	0.49	-0.06	-0.07	0.02	1.00																
	0.65	0.48	-0.05	0.02	0.02	0.04	1.00															
res	3.69	6.18	0.14*	0.07	0.25*	0.13	-0.04	1.00														
	4.18	1.37	0.14*	0.30*	0.08	0.01	0.11	-0.05	1.00													
ented Goals	0.27	0.44	0.03	0.04	0.16*	0.05	0.03	-0.03	-0.03	1.00												
riented Goals	0.35	0.48	-0.00	-0.12	-0.06	-0.09	-0.06	0.04	-0.01	-0.44*	1.00											
ship	0.44	0.50	0.05	-0.05	-0.14*	-0.08	-0.18*	-0.24*	-0.12	0.01	0.10	1.00										
	0.07	0.26	0.02	-0.01	-0.01	0.11	-0.03	0.01	-0.05	0.04	-0.05	-0.25*	1.00									
	0.35	0.48	-0.06	0.07	0.12	0.02	0.13	0.17*	0.02	-0.05	-0.11	-0.65*	-0.2	1.00								
00	0.14	0.35	-0.08	0.04	-0.11	0.03	0.07	-0.06	0.14*	-0.03	0.07	-0.06	-0.06	0.07	1.00							
,000	0.58	0.49	0.03	0.07	0.03	0.05	-0.04	0.11	-0.03	0.02	-0.06	0.00	0.01	0.04	-0.49*	1.00						
	0.14	0.35	-0.10	-0.08	-0.02	-0.04	-0.06	-0.13	-0.19*	0.14	-0.03	0.06	-0.01	0.06	-0.01	0.03	1.00					
id.	0.01	0.12	0.02	-0.01	0.08	0.02	0.09	-0.01	0.13	-0.07	-0.00	-0.03	-0.03	-0.00	0.06	-0.06	-0.05	1.00				
	0.35	0.48	0.01	-0.03	-0.03	-0.20*	0.05	-0.07	-0.02	-0.05	0.03	0.13	-0.01	-0.11	-0.07	-0.03	-0.30*	-0.09	1.00			
	5.01	6.71	0.06	-0.01	0.15*	0.06	0.01	0.08	0.01	-0.09	0.19*	0.08	-0.1	-0.14*	-0.04	0.02	0.06	-0.05	0.02	1.00		
est	4.34	2.06	0.07	-0.04	0.08	-0.06	-0.20*	0.05	-0.19	0.08	0.08	0.07	0.03	-0.06	0.11	-0.11	0.00	-0.06	-0.03	0.11	1.00	
	16.65	7.09	0.48*	0.48*	0.29*	0.02	-0.00	0.17*	0.01	-0.01	-0.07	0.01	-0.02	0.01	-0.02	0.11	-0.14	-0.02	0.11	-0.04	0.08	1.00
	24.49	10.64	0.36*	0.39*	0.20*	-0.01	-0.12	0.09	-0.13	0.17*	-0.18	0.09	0.13	-0.09	-0.04	-0.02	-0.00	-0.06	-0.00	-0.04	0.21	0.42*
ent	0.59	0.47	0.06	0.04	0.09	-0.05	0.03	0.06	-0.05	-0.08	0.11	0.03	-0.10	-0.02	0.13	-0.04	0.03	0.11	-0.04	0.10	0.25	-0.03

**Table 3: Results for Moderation Analyses**

	<i>Model 1</i> <i>General SBSR</i>			<i>Model 2</i> <i>Civic SBSR</i>			<i>Model 3</i> <i>Employee Focused SBSR</i>		
	<b>1a</b>	<b>1b</b>	<b>1c</b>	<b>2a</b>	<b>2b</b>	<b>2c</b>	<b>3a</b>	<b>3b</b>	<b>3</b>
	-2.45	-2.34	-2.28	-1.21 <sup>†</sup>	-1.15	-1.11	-0.33	-0.25	-0.30
	-0.50	-0.70	-0.71	0.12	0.00	-0.00	0.24	0.10	0.09
	0.85	0.76	0.68	-0.06	-0.12	-0.17	1.41*	1.35*	1.40
	2.44**	2.50**	2.46**	1.95***	1.98***	1.96***	0.92	0.96	0.96
riented Goals	1.41	1.61	1.68	0.04	0.15	0.20	3.76*	3.90**	3.89
Oriented Goals	1.64	1.56	1.84	-0.46	-0.50	-0.27	0.74	0.69	0.70
hip	1.49	1.56	1.47	0.54	0.57	0.45	-1.03	-0.99	-1.18
	1.80	2.28	2.32	0.52	0.78	0.74	0.04	0.37	0.09
	0.23	0.42	0.14	1.48	1.58	1.27	1.91	2.04	1.75
000	-4.28	-4.67 <sup>†</sup>	-4.88 <sup>†</sup>	-1.04	-1.26	-1.42	-4.10*	-4.36*	-4.30
,000	-1.68	-1.81	-1.75	-0.03	-0.10	-0.03	-1.64	-1.73	-1.67
	-1.66	-1.82	-2.05	-0.25	-0.34	-0.51	0.42	0.31	0.39
nd.	2.26	1.16	1.42	-1.51	-2.12	-1.93	7.80	7.06	6.95
	-2.03	-2.00	-1.98	-1.15	-0.13	-1.10	-0.41	-0.38	-0.32
	0.99	0.93	0.90	0.32	0.28	0.24	1.49*	1.46*	1.38
est	0.09	-0.23	-0.35	-0.39	-0.57	-0.66 <sup>†</sup>	0.39	0.17	0.18
	5.25***	5.29***	5.58***	2.16***	2.18***	2.45***	2.18***	2.21***	2.29
	2.65***	2.71**	2.60**	1.68***	1.71***	1.59***		0.76	0.65
ent		1.23	1.29		0.69 <sup>†</sup>	0.73*		0.84	0.84
ent x Intent			-0.90			-0.88*			-0.51
ent x ESI			1.02			0.85*			0.03
F	5.03	4.90	4.49	7.29	7.21	7.03	3.24	3.19	2.90
R-squared	0.3249	0.3323	0.3374	0.4112	0.4229	0.4437	0.2368	0.2446	0.247
ge in R-squared	0.2384	0.0075	0.0051	0.2726	0.0117	0.0208*	0.0773	0.0078	0.002

### Hypothesis Tests

*Main Effects.* The independent and control variables were regressed on three distinct SBSR measures: general SBSR, civic SBSR, and employee focused SBSR. We first explore the direct effects associated with Hypotheses 1 and 2. Our results indicate that the ESI measure is significantly and positively associated with both general SBSR ( $\beta = 2.60$ ,  $p < 0.01$ ) and civic focused SBSR ( $\beta = 1.59$ ,  $p < 0.000$ ). Thus, we find partial support for Hypothesis 1. Based on the results of our analyses, SBSR intentions appear to positively and significantly influence general SBSR ( $\beta = 5.58$ ,  $p < 0.000$ ), civic SBSR ( $\beta = 2.45$ ,  $p < 0.000$ ), and employee focused SBSR ( $\beta = 2.29$ ,  $p < 0.000$ ). Given these results, intentions to participate in SBSR appear to be positively associated with reported participation in all three categories of SBSR; thus, support is determined for Hypothesis 2 across all models.

Some significant direct effects were found for both the family involvement variable and some controlling variables. Family involvement was only found to directly influence civic SBSR ( $\beta = 0.73$ ,  $p < 0.05$ ). Education appeared to have the broadest effect of the controls, exhibiting significance in both the general SBSR ( $\beta = 2.46$ ,  $p < 0.01$ ) and civic SBSR ( $\beta = 1.96$ ,  $p < 0.000$ ) models. Population levels of less than 20,000 residents were negatively associated with general SBSR ( $\beta = -4.88$ ,  $p < 0.10$ ) and employee focused ( $\beta = -4.30$ ,  $p < 0.05$ ) SBSR. This may suggest that more general and employee focused SBSR activities are less accessible or imperative to businesses in smaller communities. Both the number of employees ( $\beta = 1.40$ ,  $p < 0.05$ ) and the age of the firm ( $\beta = 1.38$ ,  $p < 0.05$ ) are positively associated with employee focused SBSR efforts, while succession

interest appears to marginally influence civic SBSR activities ( $\beta = -0.66$ ,  $p < 0.10$ ).

*Moderation effects.* Surprisingly, no significant interaction effects were found in the general SBSR or employee focused SBSR models. However, when civic SBSR served as the dependent variable, both interaction variables exhibited significant effects. The interaction of family involvement and ESI ( $\beta = 0.85$ ,  $p < 0.05$ ) positively influenced civic focused SBSR; thus, limited support was found for Hypothesis 3a. Family involvement strengthened the relationship between ESI and participation in civic focused SBSR activities. The interaction of family involvement and SBSR intent ( $\beta = -0.88$ ,  $p < 0.05$ ) was found to negatively influence participation in civic focused SBSR activities, which is contrary to the direction expected. Although significant effects were determined for this interaction, the direction was not as hypothesized; thus, no support was determined for Hypothesis 3b across the three models.

To assist in interpretation of these interaction effects, we have plotted the interaction of family involvement and ESI, as well as the interaction of family involvement and SBSR intentions. See Figures 1 and 2, respectively, for an illustration of these relationships. It appears from Figure 1 that when ESI is low, those respondents indicating low levels of family involvement reported higher participation levels in civic SBSR activities; whereas, for higher levels of ESI, respondents indicating high levels of family involvement reported greater levels of civic SBSR involvement. As shown in Figure 2, when SBSR intentions are low, those with high family involvement reported greater levels of civic SBSR involvement; however, when SBSR



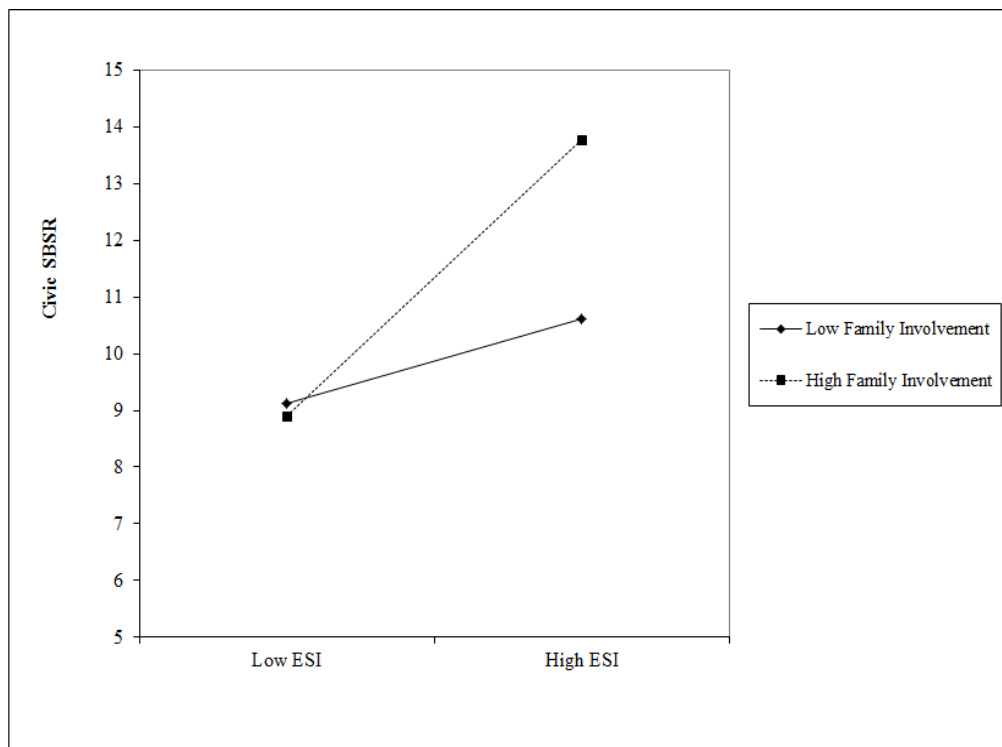
intentions are high, those with lower levels of family involvement reported slightly higher levels of civic SBSR involvement.

**Robustness Check**

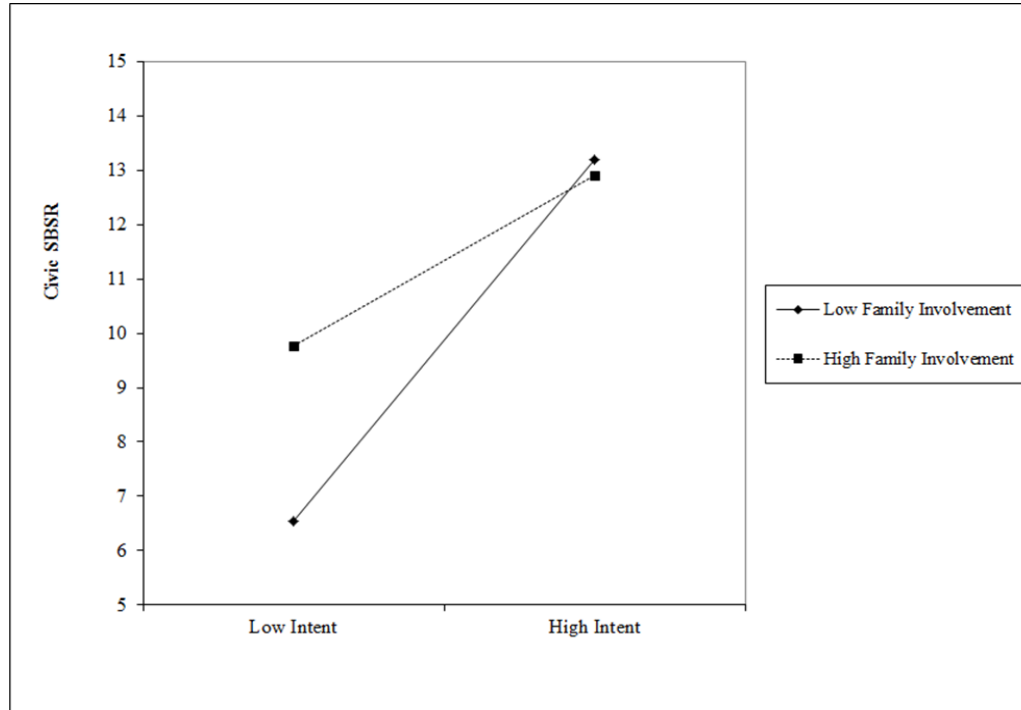
Our sample included both full-time employer and non-employer firms. To ensure our results related to the employee focused measures were robust, we removed all non-employer firms, which resulted in discarding the forty-eight observations associated with firms reporting no full-time employees (N = 159). The linear regressions were analyzed again for the

Employee Focused SBSR measure using this restricted sample. The main effects remained unchanged; thus, SBSR intentions held a positive and significant direct effect ( $\beta = 2.32, p < 0.01$ ), but no effect was found for ESI or the interaction variables. In this case, family involvement held a positive, marginally significant effect ( $\beta = 1.11, p < 0.10$ ), indicating that family involvement positively influenced participation in employee focused SBSR activities when only full-time employer firms were considered.

**Figure 1: Moderating effect of family involvement on the relationship between ESI and Civic SBSR involvement**



**Figure 2: Moderating effect of family involvement on the relationship between SBSR intentions and Civic SBSR involvement**



## DISCUSSION

Interest in social responsibility in the small and family business realm has undoubtedly grown over time (Besser, 1999; Besser and Miller, 2004; Fitzgerald et al., 2010; Niehm et al., 2008; Uhlaner et al., 2004); however, consideration of small and family firms in social responsibility research has been limited. It is generally assumed that family businesses exhibit more concern for social responsibility than nonfamily firms, since the family and business are intricately connected in the eyes of stakeholders (Déniz & Suárez, 2005). To our knowledge, however, whether small family and nonfamily firms differ with regards to involvement in socially responsible activities, has received limited attention. To address this gap in the literature, we explore the moderating effect of family involvement on the relationships between two independent variables, ESI and SBSR

intentions, and three measures of social responsibility -- General SBSR, Civic SBSR, and Employee Focused SBSR. We believe our study holds several theoretical implications, promise for future research, and practical implications for communities and entrepreneurs, which we detail in the following sections.

### Theoretical Implications and Directions for Future Research

We believe our work makes several contributions to the small business and family business literatures related to social responsibility, enlightened self-interest, SBSR intentions, and family involvement via ESI (Besser & Miller, 2004) and TPB (Ajzen, 1991). Prior research indicates that family businesses likely have a greater interest in socially responsible efforts than nonfamily firms (Déniz & Suárez, 2005); however, our results indicate that whether or not family involvement plays a role in

these relationships may depend on the type of social responsibility under consideration. In this case, family involvement strengthened the relationship between ESI and participation in civic SBSR, but weakened the relationship between SBSR Intentions and civic SBSR. The negative relationship of the interaction between family involvement and intentions was unexpected. This relationship appears to indicate that at low levels of intent, firms with high family involvement reported greater involvement in civic SBSR; however, at high levels of intentions, firms with low family involvement reported higher involvement in civic SBSR. Based on this result, it appears that when SBSR is unintentional, greater family involvement in the firm leads to greater involvement in SBSR, but when intentions are high, firms with lower family involvement reported higher levels of civic SBSR. Exploring why family firms with low intentions for SBSR may have greater levels of participation than their nonfamily counterparts poses an important area for future research.

Researchers argue that in family firms, the family and business must share time, knowledge, and financial resources. Lepoutre and Heene (2006) argue that time, as a resource, likely serves as an important antecedent to undertaking socially responsible behaviors. Civic oriented activities are often time consuming, since they may require meeting attendance, presence at community activities, etc. Although our data does not provide the capabilities to measure such assertions, it is possible that greater family involvement may afford family members more slack time to participate in time-intensive socially responsible activities, such as civic involvement. We encourage future research to consider the effects of slack time as this may prove useful in understanding why

family firms may have a greater propensity to take on civic-oriented activities than those with low or no family involvement.

We surveyed respondents related to social responsibility items from the CSR and SBSR literatures. Through EFA, we determined three distinct factors of social responsibility involvement for small businesses: General SBSR, Civic SBSR, and Employee focused SBSR. General and Civic SBSR both consist of activities external to the firm, while Employee Focused SBSR is internal to the firm, and may be less visible to stakeholders outside the firm. By exploring the independent, moderating, and control variables for their effect on each of these types of social responsibility, we can pinpoint specific types of social responsibility in which family involvement in the firm appears more or less critical.

The SBSR literature has often used ESI as a theory base to counter why small firms may undertake socially responsibility efforts, since the rewards for such behaviors may initially be non-economic in nature. Besser and Miller (2004) suggest that small business owners are aware of the many benefits they may incur from both acting responsibly and assisting in community improvement. We have developed a measure of small firm ESI, which indicates the degree to which the firm participates in social responsibility based on their knowledge of benefits that may be derived from such behaviors. We believe this measure both provides interesting results in our study, and offers a basis for future research on the influence of ESI on participation in SBSR.

Our ESI measure poses significant effects on participation in SBSR external to the firm, but does not appear to significantly

influence employee focused SBSR involvement. This result suggests that ESI may be more important with regards to activities that are more visible to the community and external stakeholders. Thus, some firms may do good for goodness sake, although ESI appears to carry an important relationship with participation in externally oriented SBSR activities. We believe this to be an interesting finding, and fruitful area of future research. Besser and Miller (2004) separated ESI into two dimensions - the shared-fate rationale (i.e., a high tide raises all ships) and the public relations rationale. They found that the shared fate rationale increased businesses' support of the community, while the public relations rationale did not. Although our ESI measures loaded into a single factor, our results appear to provide a counter perspective to those of Besser and Miller (2004). This may be in part due to our measures providing a public relations-oriented perspective. We find that ESI influences participation in external activities, which would suggest that the public relations rationale does indeed influence participation in social responsibility. Perhaps differences in SBSR measures, as well as differences in social responsibility measures may be at issue here; however, we believe this area is ripe for future research, given its limited attention and potential for assisting in explaining why small family and nonfamily businesses are motivated to "do good."

Additionally, based on the tenets of TPB (Ajzen, 1991), it is expected that intentions to participate in socially responsible behaviors would lead to higher reported levels of involvement in such activities (Dyer & Whetten, 2006; Lepoutre & Heene, 2006). As anticipated, SBSR intentions positively and significantly influenced reported participation levels in all three

categories of social responsibility, both those internal and external to the firm. To our knowledge, intentions have not been explored in the SBSR literature to explain SBSR participation, and SBSR intentions assist in assessing attitudes related to social responsibility, both currently and at start-up. We encourage future research to explore additional factors that may moderate or mediate the relationship between intentions and participation in SBSR, as this may provide additional insights beyond the scope of our study.

### **Practical Implications**

From a practical perspective, a better understanding of the factors that influence small family and nonfamily firms' participation in socially responsible behaviors is important and may be helpful to both community development specialists and leaders of philanthropic and socially oriented organizations. If community development specialists can strategically understand how family and nonfamily firms are motivated, and how to approach small firms about participating in social responsibility, then the likelihood of success may be improved. Additionally, if leaders of philanthropic organizations are better informed on how to "pitch" their opportunity for involvement, then they may see more success in recruiting local family and nonfamily business leaders to participate in their endeavors. This is good news for community leaders, since both family and nonfamily businesses appear to believe that doing good in the community ultimately benefits the health of the organization. Further, community values are believed to be closely related to activities undertaken by small firms, whose owners live in the communities in which they operate (Besser, 1999). Our results related to SBSR intentions suggest that if these values are instilled in the community, then

owner attitudes may be influenced (Brown & King, 1982); thus, influencing their intent to participate in socially responsible behaviors throughout the life of the firm.

As an owner of a small business, the implications from this study suggest that engaging in philanthropic and socially responsible activities could reap benefits for the business. Building philanthropic and socially responsible activities into the company's strategy could positively influence performance. While we did not directly assess business performance, our findings provide insight into what areas of philanthropy and other forms of societal engagement may result in a positive experience for the business. This can offer guidance to a small business owner by illustrating investment areas that could provide the greatest return.

### **Limitations**

Several limitations of the present research effort should be acknowledged. First, the data in this study are cross-sectional, and therefore causal relationships can only be inferred. Future studies should employ a longitudinal design to allow for greater testing of causal relationships. Second, different definitions of family businesses have been employed by scholars in prior research, and it is possible that participants in our study may have varying perceptions of what a family business constitutes. We did attempt to overcome this limitation by assessing the degree of family involvement by first asking entrepreneurs their perception of whether their business is a family business and then asking them how much of the business was owned by family members. These two items were then combined to create a quantifiable measure of family involvement. Third, there are some limitations to the generalizability of our findings based on the population

characteristics of our sample and the age of businesses analyzed. All of our survey responses were from participants living in the United States, with the majority residing in the Southwest United States. Future studies should attempt to obtain responses from a broader population to guard against regional or national factors that could potentially confound results.

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- Whitney O. Peake** is the Vitale Professor of Entrepreneurship and assistant professor of management in the Gordon Ford College of Business at Western Kentucky University. Her teaching and research interests include image and legitimacy across entrepreneurship, family business, stakeholder, gendered, and social responsibility contexts.
- Phillip E. Davis** is an assistant professor of management in the College of Business at East Carolina University. His teaching interests include: strategic management, general management, and entrepreneurship. Research interests include dynamic capabilities, organizational alignment, legitimacy, and competitive advantage.
- Marcus Z. Cox** is an assistant professor of management in the Nelson Rusche College of Business at Stephen F. Austin State University. His teaching and research interests include human resource management, entrepreneurship, and strategy.