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Corporate Social Responsibility in SMEs: Implications on Competitive Performance[**]

Abstract

This study explores the relevance of corporate social responsibility (CSR) in the context of small and medium-sized enterprises (SMEs). The role of CSR in SMEs has so far been scarcely researched, and the relationship between internationalisation and CSR development in SMEs, in particular, could do with the further study. Since it has been found that organisational capabilities and CSR both impact SME performance, we illustrate these relationships and differentiate between the domestic and internationalised SMEs.

The empirical part of the study is based on the survey data from a sample of 141 Finnish SMEs. Results obtained via linear regression modelling show that network competence plays a part in contributing to CSR, which in turn positively affects the SME's competitive performance, but only in internationalised SMEs. CSR is found to mediate the relationship between network competence and competitive performance. The study thus contributes both to the literature on CSR as well as that on SME internationalisation and argues for the importance of the former as a true predictor of enhanced SME competitiveness.

Keywords: corporate social responsibility (CSR), network competence, small and medium-sized enterprises (SME), internationalisation, mediation
            (JEL: M14, F23, C12, L21, L25)

Introduction

The concept of corporate social responsibility has emerged over the past 30 years and gained great attention in both the academic and professional domains. In today's global business environment, companies are increasingly expected to exhibit behaviours classified as corporate social responsibility (CSR) and communicate them in various forms to a wide set of stakeholders (Mark-Herbert & Von Schantz, 2007).

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However, whether CSR is indeed a 'valid' set of behaviours that organisations can aspire to or are simply additional tools for marketing has been a hotly debated issue. Criticism has arisen in the wake of several worldwide company-linked scandals, such as the Volkswagen emission scandal with a cost of about $17 billion in fines for the company (BBC, 2015), as well as several cases of businesses' and businessmen's misconduct revealed in the leaked Panama Papers (Time, 2016). These have all led both scholars and the public at large to question the authenticity of CSR behaviour, especially in the international and global arena. Indeed, several cases of management misconduct are revealed every year, with top executives exhibiting dishonesty, greed, and unethical business practices. Accordingly, trust in business, though higher than that in governments, is low, with business at large being distrusted in 13 out of the 28 countries considered (Edelman, 2017).

Notwithstanding the increase in the research literature on this topic in recent decades, CSR has no 'one size fits all' definition (Dahlsrud, 2006). CSR is no longer defined in relation to legislation nor is voluntary in nature, but what is agreed upon is that its focus is on the impact of the company's operation on wider society and all stakeholders. The question, then, is to what extent socially responsible behaviour is truly relevant for enterprises today; how and from what starting points it is formed; and to what extent those enterprises truly engaging in it can benefit from, or be hindered by, it. This research gap has been identified in a literature review by Aguinis and Glavas (2012), calling for further clarification of its relationship to a firm's business performance, while Aguilera-Caracuel et al. (2015) emphasised examining the social actions of small- and medium-sized enterprises (SMEs).

SMEs are those companies that are 'small' or 'medium' in size within a given threshold, which varies from one country to another because of the relative nature of these terms. For instance, in Canada, a company with 1–99 employees is counted as small, and one with 100–499 is medium, whereas the United States has 'fewer than 500 employees' criteria (Government of Canada, 2016; U.S. International Trade Commission, 2010). In our study, we use the definition of the European Commission, where SMEs are those companies with less than 250 employees and a turnover of less than €50 million, with a further division within this group into micro (< 10 employees), small (10–50 employees), and medium enterprises (European Commission, 2003). SMEs comprise the majority of all enterprises within the borders of all Organisation for Economic Co-operation and Development (OECD) countries, as well as the USA, Canada, and other countries, often more than 90% of all enterprises in these countries being within this category. Because of the large population of such firms, their contribution to national economies through business activities and the employment of local people make them a 'backbone' of the economy in many countries. Consequently, despite the size of the individual company, SMEs' cumulative environmental and societal impact is significant (OECD, 2013). There-

fore, more attention must be paid in order to understand SMEs' specificities and contributions in relation to CSR (Jamali, Lund-Thomsen, & Jeppesen, 2017).

Moreover, the relevance of CSR in the context of smaller firms merits further illustration: the existing CSR research within management and business studies is situated mainly in the context of large companies, as they are known to have more resources for CSR implementation and experience stronger external pressure for it than SMEs do (Aguilera-Caracuel et al., 2015). It has only been within the last two decades that research on CSR in SMEs has gained more attention, with the first publications appearing in the early 2000s. Thus, there are comparatively few studies illustrating the CSR phenomenon in smaller companies (some exceptions are work by Baumann-Pauly et al., 2013; Kechiche & Soparnot, 2012; and Vo et al., 2015), with CSR's implementation by SMEs regarded internally as an optional, costly 'addition' influencing core business activity (Williamson et al., 2006).

Most of the authors who have studied CSR in the SME context have underscored company-size-linked differences in the implementation of CSR practices. Because of the different tools and opportunities large corporations have access to, the approach to CSR issues differs in SMEs (Perrini, 2006). Perrini et al. (2007) showed that size explains various differences and that larger firms implement more formal approaches to CSR, addressing issues related to environmental management, employment, and local communities more actively. In work consistent with this, Sweeney (2007) found a positive correlation between the volume of CSR activity and a firm's size. SMEs have been found to be the more successful integrators of CSR into the company operations than multinational enterprises (MNEs) (Baumann-Pauly et al., 2013), defined by Bartlett and Ghoshal (1989) as the companies that manage a portfolio of subsidiaries, and that, due to their organisational capability, are sensitive and responsive to national differences. These companies are strong in external CSR communication, aiming to obtain legitimacy for their subsidiaries in the host countries, though they often lack any actual organisational change (Ibid.). This is where one of the main differences between the CSR in SMEs and MNEs is recognised, referred to as small firm communication gap and large firm implementation gap, accordingly (Wickert et al., 2016).

A study by Looser and Wehrmeyer (2016) identified the different motivation behind MNEs and SMEs committing to CSR, indicating that large firms may be merely utilising CSR as a tool to promote the company while SMEs do not. Indeed, CSR is driven by several conditions that are not exclusively to internal characteristics or the firm's resources but instead are grounded in the business and socioeconomic environments of the firm's operations. In particular, some aspects of corporate social responsibility in SMEs are likely to be affected by business networks (Jenkins, 2006; 2009). Prior research on CSR in SMEs has focused primarily on entrepreneurs' personalities in relation to CSR strategy adoption (Fassin et al., 2011), along with differences in CSR implementation between firms of different

sizes (Perrini et al., 2007), while generally overlooking the importance of external factors such SMEs' partnership networks and international operations and, consequently, also overlooking how SMEs' competence in developing and managing their network relationships is related to their CSR implementation.

Clearly, CSR is not solely a prerogative of large firms, and SMEs must be treated differently from large firms in regard to the examination of responsibility-related strategies (Russo & Perrini, 2010). This means that extant research conducted with MNEs as the research unit is not easily generalisable for SMEs, and therefore, our aim in this study is to shed further light on the antecedents to and outcomes of CSR implementation in SMEs. To do this, we posit the following research questions: i) what is the impact of network competence on CSR in SMEs? and ii) what are the outcomes of CSR for SMEs' competitive performance? We further delineate the SMEs between those with operations in the domestic and international markets.

The current study is organised as follows: to answer the research questions and for the empirical testing on the role of CSR within SMEs, we first establish the hypotheses that are based on extant literature on the phenomenon. Second, we outline the theoretical model. Third, we introduce the methodology, followed by the findings. Finally, the study concludes with a consideration of implications, limitations, and future research avenues pointed towards by the study.

Literature Review and Hypotheses Development

Corporate Social Responsibility

Despite a growing interest and amount of literature, CSR lacks a universal definition mostly because of the phenomenon's ambiguity and complexity (Matten & Moon, 2008). CSR could simultaneously be a part of ecological, societal, and economic environments, which all are highly complex and dynamic systems with numerous stakeholders involved (Sheerhy, 2015). CSR was first introduced in the 1950s by Bowen (1953), who described it as an obligation for companies to take certain factors into consideration while carrying out business activities. These factors are related to the impact of a company's activities upon its human, social, and ecological environment. Dahlsrud (2006), with a review of various sources, identified the dimensions used in most definitions of the CSR phenomenon. For example, the social and stakeholder dimensions are the set most often used in the definitions reviewed, with voluntariness and going beyond legislation dimensions following the first two.

Researchers have maintained that CSR can stay relevant if tied in with other organisational processes, such as human resource management (Lis, 2012; Schoemaker et al., 2006), green management practices (Barin Cruz & Avila Pedroso, 2009), and business value creation (Wheeler et al., 2003). In this study, we consider CSR within the SME context as those practices related to a company's actions in respect to

social and non-social stakeholders, and we utilise the European Commission's (2011) revised definition of CSR: 'the responsibility of enterprises for their impacts on society' (p. 6). The chosen definition is broad and does not imply that CSR has any particular characteristics, nor that its applicability is bound to the specific firm size or form; thus, we use the term 'CSR' to discuss the business responsibility of SMEs, allowing for compatibility with previous research (e.g. Murillo & Lozano 2006; Sweeney, 2007; Williamson et al., 2006).

Corporate Social Responsibility and Competitive Performance

In the extant literature, the relationship between CSR and a firm's performance has been widely discussed; however, no generalisation has been achieved. The underlying theory, which suggests that a higher level of CSR practices leads to a higher level of business performance, is the stakeholder theory (Freeman, 1984). Some authors (Banerjee, 2008; Weber, 2008) regard CSR as a business case where CSR is an important business strategy to enhance a firm's financial performance. However, the evidence is very mixed on this subject: whereas recent empirical studies demonstrate a positive correlation between CSR and a firm's performance (DiSegni et al., 2015; Famiyeh, 2017, Martínez-Ferrero and Frías-Aceituno, 2015), the evidence of the negative (Boyle et al., 1997), neutral (McWilliams & Siegel, 2000), or curvilinear direction of the relationship (Barnett & Salomon, 2006) has also been found.

Due to the complexity of the construct, CSR can have various categorisations depending on the chosen dimension. Starting with the viewpoint of the environmental, social, and economic elements of CSR in the 'triple bottom line framework' (Atkinson, 2000), it may further be differentiated by the organisational motivation for the engagement in CSR (extrinsic/intrinsic [Looser & Wehrmyer, 2016]) or scope and direction of CSR actions (global/local [Muller, 2006]). Furthermore, CSR may be regarded in relation to the drivers of the CSR actions and the role they have in the company's strategy, proactive/reactive (Groza et al., 2011), or strategic/ responsive CSR (Porter & Kramer, 2006).

The controversial results regarding CSR impact on performance were identified in the studies that predominantly took listed companies and MNEs as their units of analysis, thus pointing towards the prominent role of context in CSR studies, particularly, the role of the organisational structure. Different CSR dimensions have been thoroughly researched in large enterprises and the MNE context where the strategic CSR is of utmost importance. The stakeholder approach of CSR indicates that MNEs being sensitive and responsive to the stakeholders' demands is critical, and therefore, these companies consider the engagement in CSR activities as an instrument for maintaining legitimacy when operating in foreign markets (Jamali, 2010).

According to the studies that do consider CSR in SMEs (e.g. Jenkins, 2009; Russo & Tencati, 2009), an SME's commitment to CSR may lead to decreased costs and

higher efficiency. A study by Hamman et al. (2009) differentiated between socially-responsible management practices towards employees, customers, and society in 261 German SMEs. The findings suggest that all of the practices, each to a different extent, can have a positive impact on the SME's performance through the reduction of cost and increase in profits.

The amount of studies on the CSR-performance relationship in SMEs has recently grown yet remains scarce (e.g. Chen & Wang, 2011; Hamman et al., 2009; Herrera Madueño et al., 2016; Jain et al., 2017) with even fewer studies addressing the effect of different types of CSR in a SME context. One such example is a study by Torugsa et al. (2012) that demonstrated how proactive CSR, though it may be a challenge to adopt, positively contributes to the SME's financial performance. For SMEs, it is hard to see the ultimate benefit from the proactive CSR due to the lack of available resources, leading the majority of SMEs to engage only in responsive CSR (Schaper, 2002). A study by Porter and Kramer (2006) referred to strategic CSR as the one that is embedded in the business value chain in a way that it is hardly distinguished from the business activities. In this interpretation, the CSR actions undertaken by SMEs may be categorised as strategic because SMEs often have responsibility integrated into the daily management of the company blended with other business activities (Santos, 2011). SMEs commonly perceive responsibility as an integral part of their business and are known to be involved in CSR because of the intrinsic motivation and soft assets rather than for profit maximisation—a common motivation for large companies (Looser & Wehrmyer, 2016).

In the context of small firms, in addition to the known financial benefits, there is evidence that CSR positively impacts a small firm's competitiveness. For example, it was found in a study by Marin et al. (2012); however, the metrics used covered only economic, legal, ethical, and discretional dimensions of CSR, omitting company responsibilities towards the broader society. A recent study of CSR in Spanish SMEs demonstrated that CSR practices related to the environment, employees, society, and customers contribute to the achievement of competitive performance (Herrera Madueño et al., 2016). In order to remain competitive, managers must understand how to make their firm socially responsible, ecologically sustainable, and economically competitive (Orlitzky et al., 2011). However, the findings emerging from the literature that confirm a positive relation between CSR and competitiveness in SMEs are mainly anecdotal and just a few empirical researches found generalisable results.

In our study, we focus on CSR as a complex construct without further subdivision, aiming to gain insight on how possession of CSR, if driven by network competence, enables SMEs to obtain a competitive advantage. Hence, we posit that CSR may be relevant in the SME context by having positive effects on company performance:

Hypothesis 1:   The level of CSR in a SME is positively related to its competitive performance.

Network Competence

The antecedents to CSR can be found in the wider organisational contexts that surround a business unit at both the organisation and social level and includes network relationships with different types of stakeholders. Under the stakeholder theory, a stakeholder can be defined as 'any group or individual who can affect or is affected by the achievement of the firm's objectives' (Freeman, 1984, p. 25). The company's business context usually includes such stakeholders as managers, investors, formal government institutions, supranational governmental entities, local community, non-government organisations, industry bodies, consumers, shareholders, and employees (Aguilera, 2007; Yang & Rivers, 2009). The importance of these stakeholders for responsible practices has been researched in the context of large corporations (Maignan & Ralston, 2002; McCarthy & Puffer, 2008), while their impact in the SME context is relatively under-researched.

A business network is an entity consisting of two or more companies engaged in long-term business relationships, wherein the participants are interdependent, committed, and mutually oriented (Håkansson & Snehota, 1995). Extant literature has linked networks and CSR to each other through, for instance, the stakeholder view: in there, social networks and communities are created on the basis of a shared sense of what is valuable and thereby bring financial profit to the members of these value-based networks while also fulfilling CSR and other responsibilities (Wheeler et al., 2003). Another approach entails considering CSR in corporations as an element of network governance that sets up institutional structures that ensure a consent-based, dialogue-driven micro social contracting process of collaborative governance, which is needed to promote and preserve conditions of mutual trust within networks (Vandekerckhove & Commers, 2005).

Within the network approach, CSR at SMEs is seen as an innovation process, analysed against the structural, interactive, and cognitive dimensions of network effects —with each of those affecting specific dimensions of the innovation process (Abdirahman, Sauvée, & Shiri, 2014). Indeed, there is scarce evidence suggesting that the role of networks and networking is especially critical for CSR development, and in the SME context specifically (see Cruz & Wakolbinger, 2008; Jenkins (2009). In a qualitative study of 24 UK-based SMEs, Jenkins (2009) outlined collaborating and networking as a corporate social opportunity, one that can consequently be crucial for sharing best CSR practices and learning to develop CSR-related products and services with the partners. Thus, membership in networks and networking within and across sectors may have a stronger impact on organisational learning for SMEs, while also facilitating the accumulation of such intangible assets as a reputation, trust, and legitimacy (Spence et al., 2003).

In this study, we focus on the company's business network as it relates to the business partners, who, in turn, constitute a stakeholder group that may influence the CSR of an SME through involvement in the company's operations via partnerships. SMEs' higher degree of embeddedness in the local business environment, as compared to larger MNEs, leads to an opportunity for partnerships developed with local actors in order to attract resources (Spence, 1999). A study by Lepoutre and Heene (2006) highlighted the importance of SMEs cooperating with the network of stakeholders and peers to collectively engage in CSR, which should bring more efficiency and help in overcoming the difficulties associated with this process. The same study argued that networking leads to increased absorptive capacity and accumulation of knowledge in SMEs, thus facilitating recognition of the CSR issues and contributing to their resolution (Ibid). This could also happen in a specific supportive network, such as the Sustainable Business Network studied by Collins et al. (2007). The SME members of this network have been found to have a stronger uptake of sustainability-related practices than the larger businesses involved do.

According to the stakeholder theory, a company's success depends on its capability to manage the relationships with its stakeholders, and thus, management of relationships with a company's key business stakeholders has become an essential tool for value generation (Hammann et al., 2009). While alliances are generally capable of producing economic value, successful collaboration among firms requires dynamic capabilities. If the stakeholders' needs are to be attended to in terms of pursuing the business value simultaneously within the economic, social, and environmental dimensions, the firms must develop the necessary culture and internal capabilities to do so (Wheeler et al., 2003). Building on that, it is a company's capability to manage and benefit from networking with partners that is required in order to enhance the possession of CSR. This capability can further manifest itself as network competence (Gemünden et al., 1996; Ritter, 1999; Ritter et al., 2002), i.e. the ability of firms to develop and manage relations with key partners in a network, such as suppliers, customers, and other organisations, and to deal effectively with the interactions among these relations. In line with Ritter et al.'s work (2002), this can be viewed as constituting a dynamic capability (Eisenhardt & Martin, 2000; Teece & Pisano, 1994; Teece et al., 1997), which can be relevant for studying CSR in the SME context (Arend, 2013; Avram & Kühne, 2008; Gelbmann, 2010).

We posit two hypotheses on the role of network competence in explaining CSR and competitive performance: First, from the review of literature above, we conclude that extant studies have been successful in linking the CSR and stakeholders of firms together and have seen networks as drivers of CSR in small firms in particular (e.g. Murillo & Lozano, 2009). Torugsa et al. (2012) then suggested that, as networks and networking have been found to underlie CSR in extant literature, related organisational capabilities may be the drivers of CSR in SMEs. We posit this to be the case for SMEs, specifically that the extent of their network competence is linked to the extent of their CSR:

*Hypothesis 2:   The ability of an SME to develop and manage its network partner rela-
                 tionships is positively related to its level of CSR.*

Second, it is agreed upon in the literature that network competence or network ca-
pability enhances the financial performance (Wales et al., 2013; Walter et al.,
2006), growth of the firm (Torkkeli et al., 2016), international performance
(Torkkeli et al., 2012; Yoon et al., 2018), as well as customer, sales, and innovation
performances (Parida et al., 2017) within a small firm; however, no direct effect on
the competitive performance has been explored in the extant studies. To make up
for this gap, we posit that the impact of network competence on competitive per-
formance should be positive: After all, network relationships underlie en-
trepreneurial competitiveness (cf. Lechner & Dowling, 2003), and organisational
capabilities are similarly linked to the success of organisations in developing and
maintaining a competitive advantage (Teece et al., 1997). Man et al. (2002) have
also posited out that different types of capabilities and competencies should lead to
changes in competitiveness. Following the results of these studies leads us to hy-
pothesise that, since networks, capabilities and competencies can lead to increased
competitiveness, so too should the extent of an enterprise's developed network com-
petence:

*Hypothesis 3:   The ability of an SME to develop and manage its network partner rela-
                 tionships is positively related to its competitive performance.*

Mediating Effect of CSR

In addition to the direct relationships, in this study we also posit a mediating effect
between CSR, network competence, and performance: Although several scholars
have discussed the impacts of CSR on performance, only a few of them have con-
sidered CSR as a mediator that reveals CSR's positive effect on performance-related
outcomes (Chang, 2015; Courrent et al., 2016). In Chang's (2015) study, proactive
CSR practices mediated the positive relationship between Taiwanese SMEs' green
organisational culture and green product innovation performance. In a study of 406
French SMEs, sustainable practices in workplace social practices mediated the rela-
tionship between the entrepreneurial orientation and performance (Courrent et al.,
2016).

Teece (2007) postulated that dynamic capabilities enable a company to achieve a
competitive advantage through the creation, deployment, and protection of intangi-
ble and non-tradable assets such as knowledge that support company performance.
A study of 360 Lithuanian SMEs demonstrated that dynamic capabilities have posi-
tive effects on non-financial relative organisational performance but not on the fi-
nancial one (Nedzinskas et al., 2013). Moreover, there is the evidence that the over-
all company competitiveness may be enhanced by the network capability through
knowledge creation (Zacca et al., 2015) or innovativeness (Parida et al., 2017).

As observed previously, Hypotheses 1 and 2 link network competence with CSR and CSR with competitive performance. Therefore, as shown in the literature, the association between network competence and competitive performance may be hypothesised to be indirect with network competence as a driving force behind CSR actions. In this case, the latter allows network competence function to effectively achieve enhanced competitive performance. The ability to manage the partners constitutes an important factor for SMEs, not only to enhance their CSR actions but also to drive better competitive performance. In other words, the greater the firm's level of network competence, the more the firm will exhibit CSR actions, which will, in turn, positively impact competitive performance. Hence, the following hypothesis is proposed:

Hypothesis 4:   The relationship between network competence and competitive performance is mediated by CSR.

Theoretical Framework

Based on the literature review and the developed hypotheses, this study suggests that network competence and responsibility practices are important for SMEs, contributing to their competitive performance. In this research framework, network competence consists of two parts—cross-relational tasks and relationships-specific tasks, which are discussed in more details in the next section.
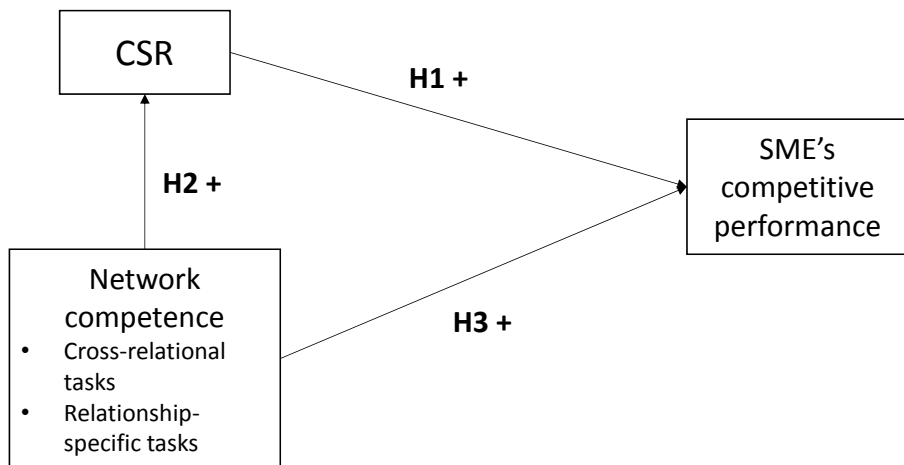

Figure 1. Research framework of the study

The framework proposes a direct relationship between network competence and competitive performance, as well as the mediating role of CSR in this relationship. Overall, the research framework implies that CSR (H1) and network competence (H3) positively impact competitive performance, while the firm's network compe-

tence also positively contributes to the CSR actions (H2). The research framework is presented in Figure 1, showing the interrelations and three hypotheses discussed above.

In order to test the hypotheses outlined and presented in Figure 1, in the next section we first justify our choice of Finland as a country context for this study and describe the specificities. We then discuss the data collection process, followed by the presentation of the measures for the key dependent, independent, and control variables.

Research Design

Country Context

We chose Finnish companies for this study since they represent an interesting context for researching CSR, SMEs, and impact of networks. There are approximately 284,000 SMEs in Finland, accounting for 98.9% of all Finnish companies. Finland's economy is classified as developed and innovation-driven, with its strengths lying in institutions, innovations, and financial market development—ranked #1, #3, and #5, respectively, out of 138 countries (World Economic Forum, 2017). Finland's market size was ranked 59th out of 138; therefore, Finland can also be categorised as a country with a small and open economy, which features a comparatively small domestic market and large proportions of SMEs compared to MNEs, meaning that for companies to achieve international growth, involvement in international operations is crucial. Most of the Finnish affiliates in other countries in 2015 were in neighbourhood countries: Sweden (N = 579) and Russia (N = 343), with Sweden leading in terms of the volume of international trade, in euros, as a destination for both Finnish imports and exports (Statistics Finland, 2015; 2017). According to Della Piana et al. (2015), Finland is associated with the Nordic Europe cluster (along with Sweden and Denmark), which is characterised by very favourable political and regulatory environments.

A report on CSR in European SMEs demonstrated the geographical differences in the degree of SME involvement in socially responsible activities, with a clear North/South European division: only 12% of French SMEs were involved as compared to 83% in Finland (European Commission, 2002). Indeed, Nordic countries have this in common, and according to the Global Competitiveness Index (WEF, 2017), Sweden, Finland, and Denmark ranked 1st, 4th, and 5th (out of the 138 countries), respectively, for the ethical behaviour of their firms. In addition, the 2016 Global Sustainable Competitiveness Index and Country Sustainability Ranking were topped by North European countries for five consecutive years, with Finland coming third in both rankings (Solability, 2016; RobecoSam, 2017).

Finland's strong positions in various aspects of sustainability are explained by the Finnish Ministry of Economic Affairs and Employment (MEE)—which is primari-

ly responsible for CSR at the government level—being rooted in the tradition of following the rules, particularly labour, environmental, social security, occupational safety, and health legislation. Finnish legislation has traditionally been thorough in the fields of labour and environmental protection; however, no actual legislation pertaining to CSR has been implemented so far. According to Gjølberg (2010), relative to Sweden or Norway, Finland is characterised as having a weaker normative base for CSR; the Finnish government emphasises the voluntary basis for CSR implementation, with the larger enterprises choosing involvement in reporting initiatives, such as the Global Report Initiative. The other CSR-related international guidelines that are recognised by Finland are the OECD Guidelines for Multinational Enterprises, the ISO 26000 (Standard of Social Responsibility), the International Labour Organisation's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, and the United Nations' Guiding Principles on Business and Human Rights (MEE, 2017). Accordingly, in Finland, international policies for CSR rather than development of new national ones is what is promoted (Gjølberg, 2010).

While the regulation for CSR reporting by big and state-owned companies is indeed visible, the measures for CSR in SMEs are not that noticeable. According to the European Union's Peer Review on CSR (EC, 2013), the CSR agenda is of great importance for the government of Finland, and in 2011 it was integrated into the government programme for the first time. In the Peer Review, there were plans outlined for the Finnish government to focus on approaching CSR issues differently—in particular, through the promotion of CSR in SMEs. The main concern related to CSR in Finnish SMEs is that the small companies, while behaving responsibly, do not necessarily refer to it as CSR. This finding is supported by research that identifies a communication and public relations gap in SMEs with regard to CSR activities, while the actual implementation is on a good level (see Baumann-Pauly et al., 2013; Nielsen & Thomsen, 2009; Santos, 2011). Finally, Finland found that reaching the SMEs was somewhat challenging in terms of stakeholder and network cooperation, according to the EU Peer Review (EC, 2013).

Sampling and Data Collection

We conducted a cross-sectional sampling of Finnish SMEs in 2014 for the empirical part of the study. The initial sample was drawn from the Amadeus online database, and, in total, 1,052 companies were identified as fulfilling the criteria. They were contacted first by phone and then through e-mail reminders. The data were collected via an online survey instrument, the questionnaire of which had been piloted with SME managers from different fields and back-translated with the help of a professional translator. Several precautions were taken in order to account for possible biases in the data collection and analysis process: Firstly, we evaluated non-response bias by comparing early and late respondents, in line with Armstrong and Overton's (1977) study, and no significant differences between the two groups were

found. We also adhered to Podsakoff et al.'s (2003) recommendations when designing the questionnaire and separated the predictor and criterion variables while assuring the anonymity of the respondents, also including negatively worded items in the survey's questions. Our final sample includes information for 141 Finnish SMEs, representing an effective response rate of 13.4%. The majority of the respondents were CEOs (84% of the respondents) or other persons in key positions of knowledge. SMEs from the following three industry sectors were the most often represented in the sample: construction (19.1%), metal refining and metal products (14.9%), and other machines and equipment (10.6%); the industry distribution of the full sample is presented in Figure 2.
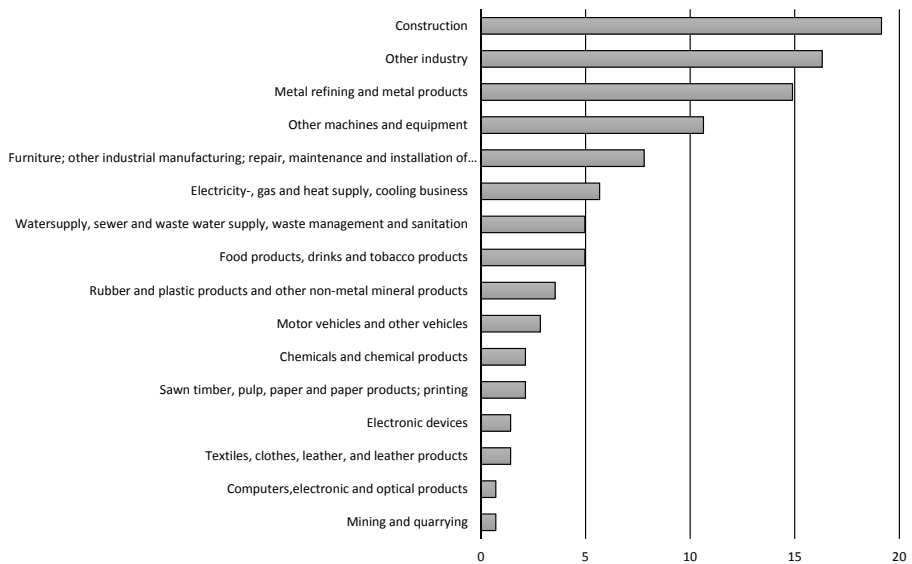
Figure 2. Sample by industry, % of the total sample

Most of the respondent firms (N = 85) were operating internationally, and for the purposes of further analysis, this subsample of internationalising SMEs is denoted as internationalized subsample (further referred as ISS). The rest of the companies had only domestic operations (N = 56), and this subsample is referred to as the domestic subsample (DSS).

Measurement of Key Variables

For the measurement of key variables, a seven-point Likert scale (1 = 'strongly disagree' to 7 = 'strongly agree') was used. For all the variables, we conducted principal component factor analysis using a varimax rotation. The items of all the variables are presented in Appendix 1, and the scales' psychometric characteristics are listed in Appendix 2.

Network competence

To test Hypothesis 1, we adapted the network competence scale by Ritter et al. (2002). Network competence is divided into relationship-specific management tasks (maintenance of a single relationship or the dyad) and cross-relational tasks, which embody the ability of a firm to develop and manage the overall business network. The interconnectedness of the relationships in the business network requires a company to conduct planning, organising, staffing, and controlling activities for better coordination of its position within the network (Ritter et al., 2002). In line with that, we arrived at the two sub-dimensions that follow:

- *relationship-specific tasks (NetComp_RelSpecific)*: factor analysis converged to a single factor, capturing 59% of the total variance in ISS and 65% in DSS; commonalities of the individual items varied in range from 0.45–0.66 (ISS) and 0.55–0.79; the Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) values were 0.77 (ISS) and 0.79 (DSS); Bartlett's test of sphericity showed significance; and Cronbach's alpha was ISS = 0.86 and for DSS = 0.89.

- *cross-relational tasks (NetComp_CrossRel)*: factor analysis converged to a single factor, capturing 59% (ISS) or 67% (DSS) of the total variance; commonalities of the individual items varied between 0.51–0.63; the KMO values were 0.84 (ISS) and 0.83 (DSS); Bartlett's test of sphericity showed significance; and Cronbach's alpha was ISS = 0.90 and for DSS = 0.93. The item NetComp_CrossRel 4 (see Apendix 1) was discarded because of low fit to the factor, yielding a metric consisting of eight items.

CSR

Five items measuring CSR were adapted from Turker's (2009) study, where CSR was equated to what Turker called 'responsibility to social and non-social stakeholders,' including items on CSR with regard to society, the natural environment, and future generations, while one item on CSR in relation to non-governmental organisation was excluded as typically SMEs re not involved in this type of relationships. For CSR, factor analysis converged to a single factor, capturing 71% of the total variation in the items for ISS and 67% for DSS. The commonalities of the individual items varied between 0.58–0.79 in ISS and 0.50–0.83 in DSS. The KMO value was 0.75 for ISS and 0.82 for DSS, and Bartlett's test of sphericity was significant for both samples ($p < 0.01$). Reliability analysis of the resulting items indicated that the resulting measure for CSR was acceptable (Cronbach's alpha for ISS was 0.89 and DSS was 0.88).

Competitive Performance

Performance is a broad term which is dependent on the nature of the measures employed to evaluate a firm's success in a particular sphere (e.g. financial performance, social performance, environmental performance). In this study, we focus on com-

petitive performance, which can be defined as a firm's aggregate performance relative to its competition.

An assessment of a company's performance by the managers is regarded as an acceptable way to measure competitive performance for several reasons. First, due to the 'relativistic' nature of the competitive performance construct and the unavailability of objective data for several indicators, such as customer-related indicators, a SME's competitive performance can hardly be assessed with data sources other than key manager's perception. Moreover, senior managers' perceptual assessment of performance (a subjective measure) was found to be consistent with the self-reported objective data, thus indicating that the concern over possible bias from subjective perceptions is insufficient (Venkatraman & Ramanujam, 1987). In addition, industry sectors are often vaguely defined, leading to further difficulties in measuring the performance of particular SMEs in relation to the scope of their competitors using the available secondary objective measures in this cross-sectional study. Furthermore, each particular SME may experience competition from other companies not only within but also beyond the boundaries of their own industry sector. This therefore leads to difficulties in using the industry average performance as a benchmark for competitive performance. Finally, the specificities of SME as an organisational unit with a small number of employees may constrain information retrieval based on the perceptions of multiple key informants.

The subjective measures for competitive performance have been used previously in organisational and management studies, which, for instance, consider the effect of information- and technology-related dynamic capabilities on competitive performance (Mikalef & Pateli, 2017), structural forces for SMEs' global expansion and performance implications (Johnson et al., 2013), or industry and firm-specific effects on SME performance (Spanos & Lioukas, 2001). Specifically, in the context of CSR, a subjective measure was used to measure competitiveness (e.g. Marin et al. 2012) or SMEs' competitive performance in the recent study by Herrera Madueno et al. (2016). In this study, seven items were measured on a five-point Likert scale in comparison to competitors: sales, market share, customer satisfaction, benefits/utility, profitability, quality of products, and technological superiority.

Following this approach, competitive performance in this study (*Comp_Perf*) was measured by subjective assessment, comparing the company to direct competitors by the company's top management, with the following question: 'How would you evaluate the success of your company in relation to competitors in the following areas?' where 1 = 'succeeded very poorly' and 7 = 'succeeded very well.' We use a two-dimensional measure which includes items that reflect profitability (customer profitability, profitability, and growth of turnover) as well as market performance (acquiring new customers and market share). For COMP_PERF, a single factor captures 58% of the total variation in the items for ISS and 65% for DSS. The commonalities of the individual items varied from 0.51–0.63 in ISS and 0.44–0.78 in

DSS. Reliability analysis of the resulting items indicated that the resulting measure for COMP_PERF was acceptable (Cronbach's alpha for ISS = 0.82 and for DSS = 0.86).

Control Variables

In this study, we include two control variables: firm age and firm size. A firm's age is expressed by the number of years since the firm's establishment. Firm age may influence the extent to which SMEs engage in responsible practices, as the work of Neubaum et al. (2004) suggested that younger firms, due to the liability of newness and other constraints, may be less involved in ethical behaviour. A firm's size is measured by the number of employees. The control for the firm size difference, even within the SME category, is crucial since the study by Preuss & Perschke (2009) indicated that medium-sized firms differed from small and micro firms in their approach to CSR. We also control for international operations of SMEs by splitting the final sample into two subsamples (ISS and DSS), as mentioned earlier. The internationalisation process has been found to have a positive impact on CSR in MNEs (Attig et al., 2016). For SMEs, the internationalisation and adoption of CSR requires similar processes to MNEs, as both require a substantial commitment of resources. Thus, the constraints associated with the availability of tangible or knowledge resources needed for CSR implementation (Laudal, 2011) or entering foreign markets (Eriksson et al., 1997) may arise.

Results

In this section, first, the descriptive statistics of the measures used in this study are presented. Then, the three hypotheses proposed in the research framework are tested with linear regression modelling in the Statistical Package for the Social Sciences (SPSS) software, followed by the mediation analysis.

Descriptive Statistics

Table 1 and Table 2 report the descriptive statistics, means, standard deviations, and zero-order correlations associated with the study variables for both samples. The mean age of the firms in our sample ranges between 27 years for domestic SMEs and 33 years for internationalised SMEs, and their size in terms of employees is relatively small, with a mean of 60 employees in ISS and 34 employees in DSS. All of the companies are involved in B2B-type business, with the majority of ISS companies (34.4%) operating in the construction business while the majority of DSS companies (21.5%) are engaged in the processing of metals and metal products (e.g. machinery and equipment). We checked the variance inflation factor (VIF) values in order to examine the multicollinearity. The mean of the VIFs ranged from 1.08–1.64 (ISS) and 1.10–1.87 (DSS), suggesting that the VIF value of each variable is below the conventional threshold (Neter et al., 1990).

Table 1. Descriptive statistics and correlations for key variables in internationalising subsample

ISS	Mean	Std. dev.	1	2	3	4	5	6
1 Comp_Perf	4.82	0.97	1					
2 CSR	4.22	1.35	0.320**	1				
3 NetComp_RelSpecif	5.12	1.20	0.197	0.250*	1			
4 NetComp_CrossRel	4.52	1.22	0.023	0.413**	0.532**	1		
5 Firm size	60.26	53.17	0.110	0.202	0.152	0.061	1	
6 Firm age	33.89	25.47	0.217*	0.073	-0.050	-0.133	0.259*	1

Table 2. Descriptive statistics and correlations for key variables in domestic subsample

DSS	Mean	Std. dev.	1	2	3	4	5	6
1 Comp_Perf	4.82	1.12	1					
2 CSR	4.23	1.33	0.089	1				
3 NetwComp_RelSpecif	4.55	1.25	-0.001	0.230	1			
4 NetwComp_CrossRel	4.28	1.33	0.203	0.311*	0.702**	1		
5 Firm size	34.81	31.96	0.101	0.187	0.226	0.304	1	
6 Firm age	27.21	22.35	-0.348*	0.251	0.227	0.034	0.119	1

Hypothesis-testing

Models 1a and 1b (see Table 3) include only control variables, firm size and firm age, and neither of them, in either of the samples, has a statistically significant impact on CSR in SMEs. In Models 2a and 2b, CSR regressed for network competence and control variables. The higher network competence, in part of the cross-relational tasks, has a positive impact on CSR only in ISS, where, relative to Model 1a, the adjusted R^2 rose significantly from 0.042 to 0.216. For DSS, this is not true, with the whole model remaining non-significant, meaning that none of the proposed variables leads to the higher possession of CSR.

The next step is to test whether CSR contributes to competitive performance. In Models 3a and 3b (see Table 3), competitive performance first regressed for control variables only, then in Models 4a and 4b, for CSR and the control variables. The positive relationship between CSR and competitive performance is confirmed by the analysis, but the result holds only for ISS. As with the first four models, there is an increase in R^2 between the models with control variables and the models with control variables and CSR: from 0.051 to 0.140 in ISS, and from 0.148 to 0.202 in DSS.

Table 3. Linear regression models

Dependent variable	Model 1a (ISS) CSR		Model 1b (DSS) CSR		Model 2a (ISS) CSR		Model 2b (DSS) CSR		Model 3a (ISS) COMP_PERF		Model 3b (DSS) COMP_PERF		Model 4a (ISS) COMP_PERF		Model 4b (DSS) COMP_PERF		Model 5a (ISS) COMP_PER		Model 5b (DSS) COMP_PERF	
	β	t-value	β	t-value	β	t-value	β	t-value	β	t-value	β	t-value	β	t-value	β	t-value	β	t-value	β	t-value
Independent variables																				
NET-COMP_CROSS-REL	-	-	-	-	0.407	3.331**	0.254	1.344	-	-	-	-	-	-	-	-	-0.101	-0.782	0.226	1.164
NET-COMP_REL-SPECIF	-	-	-	-	0.017	0.136	0.053	0.284	-	-	-	-	-	-	-	-	0.260	2.012*	-0.073	-0.379
CSR	-	-	-	-	-	-	-	-	-	-	-	-	0.305	2.823**	0.171	1.256	-	-	-	-
Control variables																				
Firm age	0.029	0.255	0.226	1.616	0.114	1.065	0.230	1.571	0.202	1.809	-0.377	-2.843**	0.194	1.784	-0.451	-3.317**	0.217	1.911	-0.355	-2.494*
Firm size	0.195	1.719	0.150	1.068	0.175	1.639	0.078	0.540	0.063	0.564	0.166	1.255	0.004	0.037	0.107	0.796	0.051	0.452	0.108	0.760
Model estimation																				
R2	0.042		0.085		0.216		0.168		0.051		0.148		0.140		0.202		0.108		0.179	
Adj. R2	0.017		0.047		0.174		0.092		0.027		0.114		0.106		0.150		0.061		0.107	
F	1.693		2.225		5.162**		2.220		2.142		4.342*		4.172**		3.873*		2.292		2.505	

Moreover, the model for ISS becomes significant with CSR added (F = 4.172, $p <$ 0.01). For the domestic subsample in both Models 3b and 4b, the strong negative effect of the firm age on the competitive performance remained unchanged despite the introduced CSR variable. Models 5a and 5b test for the relationship between the network competence and competitive performance, but the models in both subsamples are non-significant (F = 2.292, $p > 0.05$; F = 2.505, $p > 0.05$).

Overall, the results demonstrate that CSR leads to a better competitive performance; hence, Hypothesis 1 is fully supported. A higher level of cross-relational (CR), but not relationship-specific, network competence leads to higher CSR in SMEs, meaning that Hypothesis 2 is only partially supported. Finally, the results show that network competence does not lead to enhanced competitive performance, meaning Hypothesis 3 is not supported. The intentional splitting of the sample has yielded results that demonstrate the different impact of the dependent variables. As for the control variables, it is firm age but not the firm size that shows a negative impact on the competitive performance of DSS, but none of them had an effect on the ISS.

Testing the Mediation Effect of CSR

Since the links between the cross-relational network competence and CSR, as well as between CSR and competitive performance, were positive in the subsample of ISS SMEs, this study further analyses the mediating role of CSR. For these purposes, multiple regression analyses were run to asses each component of the proposed mediation model (see Figure 3).
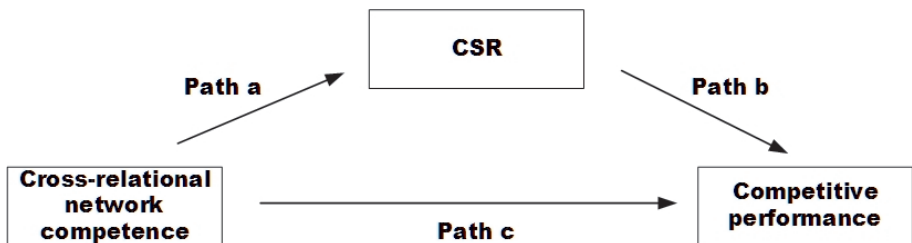

Figure 3. The proposed mediation model

It was found that all but path *c* in Figure 3 are significant: path *a* (NET-COMP_CROSSREL—CSR) ($\beta = 0.46$, t = 4.03, $p < 0.001$), path *b* (CSR—COMP_PERF) ($\beta = 0.27$, t = 3.19, $p < 0.01$), and path *c* (NETCOMP_CROSS-REL—COMP_PERF) ($\beta = 0.01$, t = 0.20, $p > 0.05$). Next, mediation analyses were tested using the bootstrapping method with bias-corrected confident estimates (MacKinnon et al., 2004; Preacher & Hayes, 2004). In this study, we apply the bootstrapping method with bias-corrected confident estimates, a 95% confidence

interval of the indirect effects and 5,000 bootstrap samples (Preacher & Hayes, 2008). Figure 4 displays the results, and Appendix 3 contains the full macro output.
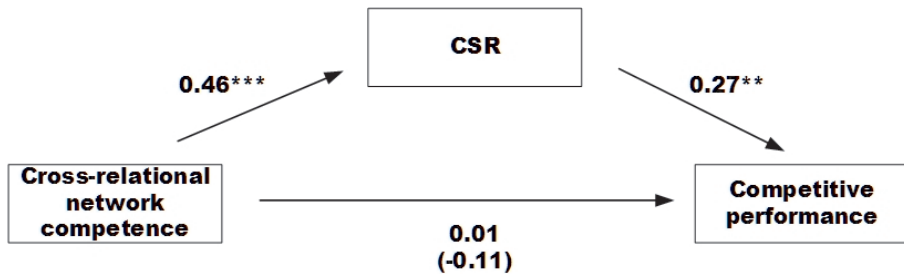

Figure 4. Testing for the indirect effect of CR network competence through CSR on competitive performance in internationalised SMEs

**p < 0.01, ***p < 0.001

As a result of the test using Preacher and Hayes' (2008) script in SPSS, it was found that the mean indirect effect from the bootstrap analysis is positive and significant ($a \times b$ = 0.126), with a 95% confidence interval excluding zero (0.0507—0.2444). In the indirect path, the interpretation would be that a unit increase in CR network competence increases CSR by a = 0.4645 units. In a similar vein, with CR network competence staying constant, a unit increase in CSR increases competitive performance by 0.2716 units on a 0 to 1 scale. The direct effect, c` (-0.1071), remained non-significant (p = 0.2653), meaning there is no direct effect of CR network competence on competitive performance in this case. A finding of a statistically significant indirect effect indicates that the relationship between independent and dependent variables occurs through the mediator. Thus, the results of the mediation analysis confirmed the mediating role of CSR in the relationship between CR network competence and competitive performance, and since $a \times b$ is significant and c is non-significant, it is an indirect-only mediation (Zhao et al., 2010), or 'full mediation.'

Discussion and Conclusions

In the study, we both theorised on and tested how SMEs' network competence and CSR lead to different competitive performance outcomes in SMEs with and without international operations. The resulting model of this study is presented in Figure 5.
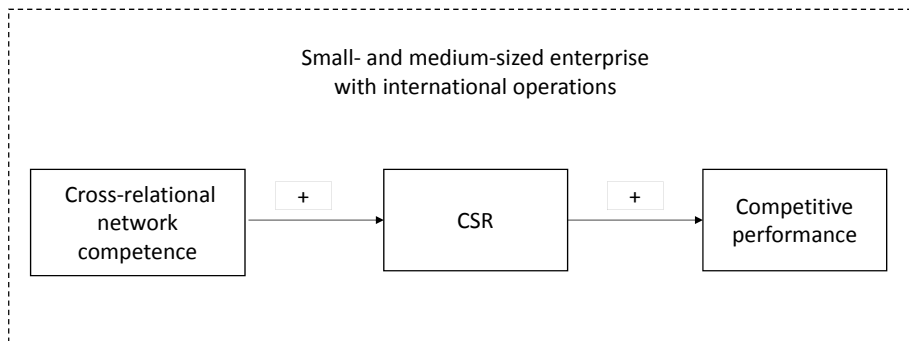
Figure 5. The resulting model

Specifically, we found that 1) greater *cross-relational network competence* predicts higher levels of *CSR*, 2) *CSR* predicts better *competitive performance* outcomes in the SMEs, thus CSR serves as a mediator in this relationship, and 3) these results apply for internationally operating, but not domestically operating, SMEs. For the domestic SMEs in our study, none of the dimensions of network competence leads to the enhanced CSR, and a firm's age negatively impacts the competitiveness of such companies.

Theoretical Contribution

The results and, consequently, this study have several implications. First, the study broadens the research on CSR in SMEs by dividing SMEs into two groups and following the differences found between the groups: internationalising and domestic SMEs. Therefore, this study complements the study by Herrera Madueño et al. (2016) that showed socially-related CSR issues, among others, contribute to SMEs' competitive performance. Our study extends the extant research by showing how organisational capabilities precede CSR in SMEs, and that the impact of CSR on performance can be accentuated under different contexts, such as the context of internationalisation here. The reason why these relationships work specifically in the internationalised SMEs might be because the successful internationalisation of SMEs is driven by their ability to develop distinctive capabilities and incorporate them into the strategies that may make them immune to competition (Oviatt & Bauerschmidt, 1991). Based on this and on the results of our study, network competence and CSR may be regarded as such aforementioned capabilities which are better developed in internationalised SMEs.

Consequently, our study expands the existing research on the role of networks in CSR development (Jenkins, 2006; 2009; Vanderkerkchove & Commers, 2005; Wheeler et al., 2003) by linking the level of CSR development in SMEs to their ability to develop and manage network relationships, i.e. their network competence. In doing so, it also broadens the view on the impact of network competence on in-

ternational entrepreneurship (Torkkeli et al., 2012; 2016) by outlining how it can influence socially responsible behaviour among those enterprises engaged in the global business arena.

Research on SME internationalisation suggests that constraints to this internationalisation can be overcome with the help of networks (Chen, 2003; Jaklic, 1998; Loane & Bell, 2006; Saarenketo et al., 2004), which may serve as a bridge for internationalisation (Chetty & Blankenburg Holm, 2000) and open up new opportunities, technology, market knowledge, and information (Chetty, 2003). Moreover, internationalisation is found to have a positive impact on CSR in MNEs (Attig et al., 2016). Overall, the results extend the implications of those studies showing that networks are crucial for SME internationalisation, as the networks provide access to new opportunities, knowledge, and resources (Coviello & Munro, 1995; Loane & Bell, 2006; Torkkeli et al., 2012). Specifically, this study contributes to the body of literature on the effects of networks in SMEs' internationalisation, which, until now, has presented little evidence on the effects networks have on CSR implementation in SMEs (Jenkins, 2006; 2009) nor the effect of CSR on an SME's competitive performance (Herrera Madueño et al., 2016; Marin et al., 2012).

It is also a novel finding that possession of network competence in SMEs does not directly contribute to improved competitive performance, but they can do so through CSR. Thus, the results of this study contradict those that found network capability has a direct effect on a small firm's performance (Wales et al., 2013; Walter et al., 2006; Yoon et al., 2018). Instead, our findings support several earlier studies that demonstrated the capabilities' indirect effect on the performance (Parida et al., 2017; Zacca et al., 2015) by testing for CSR as a mediator and, thus, contributing to the studies where CSR mediated the relationship between organisational capability and performance (Chang, 2015; Courrent et al., 2016; Torugsa et al., 2012). The results of our study further enrich this discussion by showing that such organisational capabilities like network competence lead to enhanced competitive performance through CSR as a mediator.

Third, the difference in influence between two types of competence can be discussed in light of the internationalisation process: the relationship-specific management tasks may have more importance during the initial stages of internationalisation, as they were found to be associated with increased likelihood of foreign market entry (Torkkeli, 2014). Thus, it might explain why only cross-relational management tasks had an effect on CSR in this study—the firms in which the relationship was found already had international operations and were in the later stages of the internationalisation process. With internationalisation at full speed and a need for network expansion, cross-relational tasks cannot be ignored when successfully maintaining a business network. Hence, as this study demonstrates, the ability to manage and maintain several relationships may contribute to CSR, probably through the wider range of interactions and exposure to numerous responsibility

concerns, or through benchmarking with others, as was proposed by Jenkins (2006).

The influence of the firm age, as opposed to the study by Neubaum et al. (2004), did not have an effect on the extent to which SMEs engage in responsible practices but rather showed that older domestic companies have worse competitive performance, irrespective to their CSR activities or network competence.

In conclusion, the findings of our study contribute to broadening the consideration of CSR in SMEs as a research stream (Jenkins, 2006; Murillo & Lozano, 2006; Russo & Tencati, 2009; Santos, 2011; Spence, 1999; Sweeney, 2007; Williamson et al., 2006), as they illuminate more of the effects of the internationalisation process on SMEs' performance outcomes (Lu & Beamish, 2001; 2006; Zhou et al., 2007). Particularly, the results extend the knowledge of CSR, showing how these socially-oriented practices are 'true' practices in SMEs, acting as successful integrators of CSR practices when compared to wider CSR communications; however, they lack the implementation found in MNEs (Baumann-Pauly et al., 2013; Looser & Wehrmeyer, 2016; Wickert et al., 2016). Thus, this study suggests that SMEs that both apply CSR and operate internationally may be able to gain advantages in terms of competitive performance. However, the increase in competitive performance is possible only if the firm possesses a certain type of network competence.

Managerial Implications

SMEs are often expected—because of their size, isolation, or lack of resources, or because of complex rules and procedures—to experience difficulties in implementing CSR. Analytically, our research allows a better understanding of how internal organisational factors, such as the ability to manage the firm's partner network and international operations, explain CSR and its outcomes in the SME context in particular.

The resulting model is intended for use by managers, and the results highlight the efforts that owners/managers should undertake, allowing for not just economic aspects but also social issues in order to improve their firms' competitiveness. This model can serve as an analytical tool to benchmark the impacts on a firm, highlighting the strengths and weaknesses that reveal how even small firms with limited resources can ensure better competitive performance by developing their skills.

Limitations and Future Research

Irrespective of its theoretical contributions and the practical implications thereof, our study has a number of limitations that create opportunities for future research. First, our sample size does not allow for the further control of the industry sector, which might be of the interest to further research, since the partnership networks and responsibility activities differ depending on the industry sector even within one

country's context and may become an even stronger differentiating factor between internationalising and domestic SMEs. Furthermore, the analysis of the influence of a firm's network competence on CSR may benefit from the inclusion of information on the partners' portfolio, following the position of a given SME in a partnership network and the consequent effects of this position.

We also note another limitation of the present study in that we considered SMEs as one entity, thus, future research may benefit from including firms of various types. In line with dividing the network competence into two groups of tasks, further differentiation between companies of micro, small, and medium size, as well as between the timing of internationalisation, may bring additional insights into the possible interplay between the capabilities, CSR, and competitive performance outcomes. Noting the resulting importance of international operations to SMEs, the qualitative inquiry may shed light on those influential factors arising in different countries' contexts (including cultural and institutional contexts) between the SME's home country and the country of its international partner. This is especially valuable for countries where the distance attributed to the context is huge, i.e. between countries with emerging or developing economies as opposed to more developed ones. Building on countries' institutional difference and international business, an analysis of the legislative impact on CSR in SMEs involved in transnational business is worth investigating. In summary, similar studies should be carried out in other home/host-country contexts to improve the generalisability of our findings.

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Appendix 1 Scale items

ITEM NAME	ITEM PHRASING
CSR to social and non-social stakeholders (CSR)	
CSR 1	Our company participates to the activities which aim to protect and improve the quality of the natural environment
CSR 2	Our company makes investment to create a better life for the future generations
CSR 3	Our company implements special programs to minimize its negative impact on the natural environment
CSR 4	Our company targets a sustainable growth which considers to the future generations
CSR 5	Our company contributes to the campaigns and projects that promote the well-being of the society
Network competence relationship-specific tasks (NetComp_RelSpecific)	
NetComp_RelSpecific 1	We are actively searching for new potential partners
NetComp_RelSpecific 2	We visit our potential partners in order for us to get to know them
NetComp_RelSpecific 3	We exchange confidential information with our partners
NetComp_RelSpecific 4	We inform also others in our organization about our partners' demands
NetComp_RelSpecific 5	Our partners are in contact with our key persons
NetComp_RelSpecific 6	Our personnel is in contact with our partners' key persons
Network competence cross-relational tasks (NetComp_CrossRel)	
NetComp_CrossRel 1	We evaluate how every partnership relationship furthers our other partnership relationships
NetComp_CrossRel 2	We evaluate how the results from the cooperation with each partner fit together
NetComp_CrossRel 3	We compare our partners based on the information they have
NetComp_CrossRel 4*	We have compatible goals with our partners
NetComp_CrossRel 5	We organize internal meetings and discussions with personnel dealing with our partners
NetComp_CrossRel 6	We assign responsibility to a person/s for every partnership relationship
NetComp_CrossRel 7	We manage activities related to our partnership relationships
NetComp_CrossRel 8	We evaluate how much our employees invest in our partnership relationships
NetComp_CrossRel 9	We monitor how much we benefit from our partnership relationships
Competitive performance (Comp_Perf)	
CompPerf 1	Acquiring new customers
CompPerf 2	Customer profitability
CompPerf 3	Profitability

ITEM NAME	ITEM PHRASING
CompPerf 4	Growth of turnover
CompPerf 5	Market share

* Indicates a dropped item

Appendix 2 Estimates for the variables

CSR				
	ISS		DSS	
	AVE = 0.71 CR = 0.92		AVE= 0.67 CR = 0.91	
	Factor loadings	Communalities	Factor loadings	Communalities
CSR 1	0.881	0.777	0.711	0.505
CSR 2	0.866	0.750	0.915	0.837
CSR 3	0.812	0.659	0.871	0.760
CSR 4	0.889	0.791	0.840	0.706
CSR 5	0.762	0.580	0.769	0.592
Cum. var.	0.711		0.679	
Cron. alpha	0.897		0.880	

Comp_Perf				
	ISS		DSS	
	AVE = 0.58 CR = 0.87		AVE = 0.65 CR = 0.90	
	Factor loadings	Communalities	Factor loadings	Communalities
Comp_Perf 1	0.754	0.568	0.665	0.442
Comp_Perf 2	0.767	0.588	0.888	0.789
Comp_Perf 3	0.715	0.512	0.850	0.723
Comp_Perf 4	0.793	0.629	0.839	0.704
Comp_Perf 5	0.796	0.633	0.773	0.597
Cum. Var.	0.586		0.651	
Cron.alpha	0.821		0.859	

Network competence relationship-specific tasks (NetComp_RelSpecific)				
	ISS		DSS	
	AVE = 0.59 CR = 0.89		AVE = 0.65 CR = 0.91	
	Factor loadings	Communalities	Factor loadings	Communalities
NetComp_RelSpecific1	0.772	0.597	0.732	0.536
NetComp_RelSpecific2	0.784	0.614	0.746	0.557
NetComp_RelSpecific3	0.813	0.662	0.774	0.599
NetComp_RelSpecific4	0.808	0.653	0.888	0.788
NetComp_RelSpecific5	0.671	0.451	0.893	0.798
NetComp_RelSpecific6	0.778	0.606	0.818	0.669
Cum. Var.	0.597		0.657	
Cron.alpha	0.862		0.893	

Network competence cross-relational tasks (NetComp_CrossRel)				
	ISS		DSS	
	AVE = 0.59 CR = 0.92		AVE = 0.67 CR = 0.94	
	Factor loadings	Communalities	Factor loadings	Communalities
NetComp_CrossRel 1	0.792	0.628	0.759	0.576
NetComp_CrossRel 2	0.851	0.724	0.848	0.719
NetComp_CrossRel 3	0.742	0.551	0.848	0.719
NetComp_CrossRel 4	Dropped			
NetComp_CrossRel 5	0.719	0.516	0.785	0.616
NetComp_CrossRel 6	0.770	0.594	0.823	0.677
NetComp_CrossRel 7	0.797	0.635	0.878	0.770
NetComp_CrossRel 8	0.715	0.511	0.812	0.659
NetComp_CrossRel 9	0.798	0.637	0.819	
Cum. Var.	0.598		0.651	
Cron.alpha	0.904		0.859	

Appendix 3 SPSS Macro Input and Output

Run MATRIX procedure:

Dependent, Independent, and Proposed Mediator Variables:

DV =   CompPerf
IV =   NetwComp_CrossRel
MEDS =   CSR
Sample size   81

IV to Mediators (a paths)

	Coeff	se	t	p
CSR	,4645	,1152	4,0317	,0001

Direct Effects of Mediators on DV (b paths)

	Coeff	se	t	p
CSR	,2716	,0849	3,1988	,0020

Total Effect of IV on DV (c path)

	Coeff	se	t	p
NetwComp_CrossRel	,0190	,0919	,2071	,8364

Direct Effect of IV on DV (c' path)

	Coeff	se	t	p
NetwComp_CrossRel	-,1071	,0955	-1,1221	,2653

Model Summary for DV Model

R-sq	Adj R-sq	F	df1	df2	p
,1165	,0938	5,1401	2,0000	78,0000	,0080

****

   BOOTSTRAP RESULTS FOR INDIRECT EFFECTS

Indirect Effects of IV on DV through Proposed Mediators (ab paths)

	Data	Boot	Bias	SE
TOTAL	,1261	,1248	-,0013	,0477
CSR	,1261	,1248	-,0013	,0477

Bias Corrected Confidence Intervals

	Lower	Upper
TOTAL	,0507	,2444
CSR	,0507	,2444

Percentile Confidence Intervals

	Lower	Upper
TOTAL	,0437	,2312
CSR	,0437	,2312

****

Level of Confidence for Confidence Intervals:

95

Number of Bootstrap Resamples:

5000

------ END MATRIX -----