

## Do entrepreneurs do good deeds to maximize wins or avoid losses? A regulatory focus perspective

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### Keywords:

Small business, Regulatory focus, Social responsibility, Employee responsibility

### ABSTRACT

Researchers and practitioners generally agree that small businesses are important contributors to social responsibility within their communities and beyond. Despite the well-documented importance of small businesses in carrying out social responsibility, particularly locally, little is known about the motivation orientation underlying such behavior. Further, there is little agreement about what constitutes social responsibility in the small business context. Using regulatory focus theory as a theoretical lens, we examine how promotion focus versus prevention focus of the small business owner motivates social responsibility engagement targeted at society, employees, and customers. We find that regulatory focus of the small business owner does not play a role in motivating society-focused social responsibility engagement; however, prevention focus plays an important role in motivating engagement in employee- and customer-oriented social responsibility.

### Introduction

Corporate Social Responsibility (CSR) researchers and practitioners are recognizing that we cannot continue to use large multinational corporations (MNCs) as the standard for understanding CSR, especially when considering small and medium-sized enterprises (SMEs) (Perrini, 2006; Spence & Rutherford, 2003; Thompson & Smith, 1991). It is imperative that we gain further understanding of the relationship between CSR and SMEs (Russo & Tencati, 2009), due to the impact SMEs have on the global economy (Morsing & Perrini, 2009) through their substantial levels of entrepreneurial activity (Wickert, 2016) and serving as large sources of employment (World Trade Organization, 2016). In addition, SMEs are also known as the entities that often spearhead social responsibility within local communities (Avram et al., 2018), and are more likely to consider social responsibility closer to home, such as employee motivation and retention, and community involvement (Jenkins, 2006).

When trying to gain insight into SMEs, one must

understand the important influence that owners and owner/managers have over the strategies and behaviors of the firm. These individuals are often the sole or major-decision makers within the organization and therefore have the potential to shape organizational culture and values beyond simply earning profits (Klein & Kellermanns, 2008; Nicholson, 2008). Given their level of influence, it is important to understand owner and owner/managers' motivations and interpretations of CSR, as these will likely impact how CSR is pursued and implemented within the organization (Murillo & Lozano, 2006; Perrini, Russo, & Tencati, 2007). A lack of understanding regarding the microfoundations (i.e., individual-level factors) of social responsibility engagement within small firms is often lamented (Aguinis & Glavas, 2012; Alonso-Almeida et al., 2015); however, little research currently examines the effect of owner disposition, motivation frame, etc. on the level of social responsibility engagement in the small firm context. These individual-level differences may provide important explanations for why small firms are heterogeneous in their level of social responsibility engagement.

Regulatory focus theory may provide a useful lens through which to examine small business owners' engagement in social responsibility. Regulatory focus theory sug-

Journal of Small Business Strategy

2020, Vol. 30, No. 03, 33-46

ISSN: 1081-8510 (Print) 2380-1751 (Online)

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**APA Citation Information:** Peake, W. O., Yates, M., Barber III, D., & McMillan, A.. (2020). Do entrepreneurs do good deeds to maximize wins or avoid losses? A regulatory focus perspective. *Journal of Small Business Strategy*, 30(3), 33-46.

gests that individuals take one of two primary motivation orientation foci in goal pursuit: promotion focus versus prevention focus. These motivation orientation frames in turn influence the ideas generated and actions pursued by the individual (Prasastyoga et al., 2017). A promotion focus lends individuals to pursue gains and maximize positive outcomes, while prevention focus orients individuals towards working to minimize loss through safety and carrying out responsibilities (Higgins et al., 2001). For example, Brockner et al. (2004) determined that promotion focus plays a more critical role in developing business ideas; whereas, in screening ideas, prevention focus is a more salient motivation orientation. Since regulatory focus provides insight into the entrepreneur's motives, beliefs and behaviors, it is likely an important determinant of entrepreneurial success (Brockner et al., 2004) and strategy (Cesario & Higgins, 2004). Given that the owner's motivation frame sets small firm strategy and behavior, regulatory focus theory likely holds critical associations with motivation for engaging in socially responsible behaviors through the business (Chang et al., 2018).

In addition to our narrow understanding of drivers of social responsibility engagement in the small firm context, we likewise know little about the types of social responsibility in which small businesses engage. Myriad measures have been examined over time (Fitzgerald et al., 2010; Peake et al., 2015; Peake et al., 2017), but little agreement has been reached regarding how to best examine social responsibility outcomes from the SME perspective. Many studies employ single-item measures, or measures that have notable limitations (Peake et al., 2015). As such, we assess three well-validated measures of social responsibility from Turker (2009), adapted to the small firm context.

Given these challenges to expanding our knowledge of small business social responsibility, we examine how the motivation orientation of small business owners translates to engagement in social responsibility for the small business with regards to societal, employee, and customer oriented social responsibility. We first examine regulatory focus theory to develop hypotheses related to these phenomena. Then, we provide an examination of the data and measures, followed by the results of our analyses. Finally, we provide insights into the academic and practical implications of our work, as well as future research that may stem from any progress we make with the work at hand.

## Theory and Hypothesis Development

### Regulatory Focus Theory

The framework and basis of Regulatory Focus Theory

(RFT) has been largely provided by Higgins (1997) which examined motivational foci and attempted to expand upon prior theories of motivation. Higgins examined the desired end-states of individuals, as well as the self-regulations one imposed to reach those end states (Higgins, 1997). Through this effort, Higgins established two independent self-regulatory systems in promotion regulatory focus and prevention regulatory focus (Higgins, 1997). These two systems both included desired end-states as well as undesired end-states, expanding upon the "pleasure vs. pain" formula found in earlier hedonism-focused theories of motivation (Higgins, 1997).

A promotion focus centers on hopes, achievements, and goals when self-regulating behavior and cognition. A person using this focus sees achievements as desirable and the lack of achievement as non-desirable (Higgins, 1997). Individuals using this focus do not consider losses when making decisions, and instead focus on striving towards their preferred end state by trying various behaviors to see what works, resulting in less risk-averse behavior (Brockner & Higgins, 2001). In contrast, prevention focus emphasizes the role of duty and responsibility in an individual's motivation (Higgins, 1997). Prevention focus attempts more to prevent mistakes and mitigate risk of failure as opposed to desiring success. Individuals who utilize a prevention focus orientation see lack of failure as a desirable end-state and failure as an undesirable end-state and focus on vigilance (Higgins, 1997). Further, they engage in behavior that guards against error, resulting in a more risk averse mindset when moving towards goals (Brockner & Higgins, 2001). Notably, both motivations can be involved in the pursuit of an individual's goals, and both can be demonstrated by individuals (Forster et al., 2003; Gamache et al., 2015). As we will address below, regulatory focus has received some attention in the entrepreneurship literature in general, but, to our knowledge, has not yet considered the regulatory focus of the entrepreneur in conjunction with the social responsibility engagement in the small business.

### RFT and Entrepreneurship

The relationship between Regulatory Focus Theory and entrepreneurship has been examined through a variety of lenses. Fischer et al. (2018) researched the link between regulatory focus theory and sustainable entrepreneurship. Using qualitative methods, 14 venture founders were interviewed on topics such as sustainability, idea development processes, the acquisition of resources, and the stages of the entrepreneurial process. Follow-up interviews focused on the founders' motivation and the venture development process (Fischer et al., 2018). It was found that self-regula-

tory foci changed during the entrepreneurial process. When conceiving ideas, a prevention-focused process was likely to be used in order to develop sustainability goals, as sustainability was viewed as a responsibility and duty of the respondent. During rollout, a promotion-focus was more likely to be used in order to pursue venture growth (Fischer et al., 2018).

While no specific study has examined the individual differences that might result in an entrepreneur choosing a prevention or promotion focus, we can draw some inferences regarding what might drive these decisions. In other words, what possible individual differences result in an entrepreneur choosing a prevention or promotion focus? Previous research has focused on motivations and goals as the drivers for regulatory focus theory. Vaughn (2017) found support for the relationship between self-determination theory and the need for autonomy, competence, and relatedness, and a promotion or prevention focus. This is particularly enlightening given the fact that Al-Jubari et al. (2019) found that autonomy, competence, and relatedness (self-determination theory) provide an explanation for the motivational processes of entrepreneurial behavior. We can therefore link these constructs to entrepreneurs and hence a promotion or prevention focus.

Lanaj et al. (2012) conducted a meta-analysis related to regulatory focus theory. While this study was not directed or geared towards entrepreneurs, they did present a framework of personality traits that might impact a person's regulatory focus. They categorize personality traits into Approach Temperance and Avoidance Temperance. Approach Temperance includes traits such as extraversion, positive affectivity, and learning goal orientation. The Avoidance Temperance category includes neuroticism, negative affectivity, and performance avoidance goal orientation. In addition, they include self-esteem, self-efficacy, and openness to new experience, among others. Self-efficacy in particular has been found to be an important trait related to entrepreneurship (Lyons et al., 2015). In addition, Zhao et al. (2010) found that openness to new experiences and extraversion were a critical trait for entrepreneurs. As such, we can again infer that there is a relationship between individual traits and regulatory focus in entrepreneurs.

Wallace, et al. (2010) examined the relationship between a small firm CEO's regulatory foci and the performance of their firm. Using a questionnaire method, 1,059 CEO's of firms with less than 300 employees were surveyed. Results indicated that a promotion focus is positively related to firm performance, and prevention focus is negatively related to firm performance (Wallace et al., 2010). Environmental dynamism was found to moderate these relationships, strengthening the relationship between pro-

motion focus and firm performance and weakening the relationship between prevention focus and firm performance. Environmental dynamism was characterized by a high rate of change and instability, resulting in increased decision uncertainty (Wallace et al., 2010).

In their work, Prasastyoga et al. (2017) attempted to analyze the effect of regulatory foci on an individual's small business growth beliefs (SBGB's), defined as: "individuals' evaluations of expected consequences of small business growth" (Prasastyoga et al., 2017). 121 Indonesian students and 114 business owners were surveyed with the intent of measuring the subjects' individual regulatory foci and their SBGB's. Questions regarding SBGB's were divided into Emotion-related SBGB's (i.e. what emotions the subject associated with the thought of their business growing) and Finance and business-related SBGB's (i.e. what effect the business growth would have on the financial well-being of both the business and the individual). It was found that individuals with a strong promotion focus tended to have more positive SBGB's, while those with a strong prevention focus tended to have more negative ones (Prasastyoga et al., 2017).

### **RFT and Corporate Social Responsibility**

Very little research has examined the relationship between RFT and Corporate Social Responsibility (CSR), and the literature is sparse in the context of small firms or the entrepreneurial process. RFT has been linked to altruistic behavior in individuals, with a promotion focus strengthening altruistic behavior and a prevention focus weakening it (Baek & Reid, 2013). From a marketing standpoint, different regulatory foci have been found to be linked to different reactions to CSR activities (Kim et al., 2012). Kim et al. (2012) analyzed the relationship between promotion hope/prevention hope and consumer attitudes towards CSR. Promotion hope/prevention hope were characterized as the different outcomes presented by advertisements to consumers and the type of hope induced in the consumer. For example, a weight loss commercial would instill prevention hope as the consumer would hope to prevent the negative outcome of weight gain (Poels & Dewitte, 2008). Prevention hope focus resulted in altruistic CSR activities being more effective than strategic CSR activities, while a promotion hope focus produced no significant difference between the two. Habitzreuter and Koenigstrofer (2018) investigated whether a CSR sport event sponsorship influenced attitude toward the sponsor depending on regulatory fit. It was found that when the regulatory focus of the participant matched that presented by the CSR sponsorship, there was an increase in the perceived philanthropy of the sponsorship (Habitzreuter

& Koenigstrofer, 2018).

## SME, Entrepreneurs and CSR

A common perception is that SMEs' defining characteristic is their size, and therefore they tend to be homogeneous in terms of behavior (Wilkinson, 1999). While size certainly plays a key role, especially when differentiating from the behaviors of MNCs, there are other key internal and external factors that define their behavioral characteristics (Jenkins, 2006). The behavior of SMEs is often viewed through the lens of the entrepreneur or owner/manager. Bolton (1971) noted that SMEs often have a 'personalized style' of management that is less formal in nature and can vary widely based on the individual personalities of owner/managers. The most common form of SME is the owner-managed firm, where ownership and decision-making power lie within the same person (Jenkins, 2006). This close connection between the organization and the entrepreneur strongly influences the organization's strategies, policies, practices, as well as the role that the organization plays within society as a whole (e.g. Barnett & Karson, 1987; Carroll & Hoy, 1984; Hamman et. al, 2009) This type of organizational structure grants the owner/manager a high degree of autonomy and influence as to *how* and *why* CSR is pursued.

Lepoutre and Heene (2006) state that SMEs are well positioned to engage in socially responsible behavior in part because they often create new jobs, induce economic growth and introduce innovations. As such, SMEs engage in behaviors that align them with stakeholders including employees, customers, and the community within which they operate. These stakeholders are particularly relevant when considering CSR. In fact, Turker, (2009) created a framework for corporate social responsibility based on these exact stakeholders – society, employees, and customers. Society includes communities, the natural environment, next generations, and non-government organizations. This is referred to as CSR to social and nonsocial stakeholders. CSR to employees refers to activities which are directly related with the physical and psychological working environment of employees. Finally, CSR to customers refers to the extent to which the company builds and maintains good relations with consumers including providing high quality products or accurate information about its activities. In addition, Turker's framework is aligned with the European Commission's definition of social responsibility and the responsible entrepreneur that has been used in the SME literature previously (e.g. Lamberti & Noci, 2012; Stekelorum et al., 2019; Torugsa et al., 2012). The European Commission's publication on "Responsible Entrepreneurship", defines

the socially responsible entrepreneur as one that (1) treats customers, business partners and competitors with fairness and honesty; (2) cares about the health, safety and general well-being of employees and customers; (3) motivates his workforce by offering training and development opportunities; (4) acts as a good citizen in the local community; and (5) is respectful of natural resources and the environment (European Commission, 2004).

## Society-Related Social Responsibility

CSR measures often focus on the enhancement of reputation and trust (Ortiz-Avram et al., 2018). A small business owner's success criteria may include having a positive societal impact and public recognition through society related social responsibility (Gorgievski et al., 2011). In addition, given the small size of these businesses, anonymity is forsaken and if a mistake is made or a questionable action taken, it is easy to identify the responsible party or parties. In these cases, responsibility will ultimately end with the owner-manager (Besser, 2012; Spence, 2007). "This moral proximity with community and customers can focus the mind considerably on socially responsible behavior" (Spence, 2007, p. 537). Burton and Goldsby (2009) determined that small business owners' attitudes towards social responsibility substantially predicted engagement in those behaviors. They found there to be alignment between economic versus noneconomic goals and the focus of subsequent social responsibility initiatives.

In the SME domain, the impact of engagement in social responsibility on firm performance has been examined more often than behavioral drivers. As such, research suggests performance benefits do exist for SME firms engaged in socially responsible behaviors (Fitzgerald et al., 2010; Niehm et al., 2008; Petrenko et al., 2016) and that small business owners are aware of this link. Increased environmental, social and governance reporting transparency decreased debt costs for small firms (Dunne & McBrayer, 2019). Besser (2012) found that small business owners indicated their primary motive for involvement in community-facing social responsibility was to promote business success. This is echoed in the studies of small business social responsibility that highlight the role of enlightened self-interest in more societal-oriented social responsibility (Peake et al., 2015; Peake et al., 2017).

Society-related social responsibility is more discretionary by nature (Panwar et al., 2016; Panwar et al., 2017), so those entrepreneurs with a promotion regulatory focus would be more predisposed to chase the "gains," or business success (Besser, 2012), that society-oriented social responsibility may pose. Grayson and Hodges (2004) ad-

vocate that a key driver for business success or gains is a competitive instinct and an inclination to look for opportunities in non-traditional areas, such as those found within the CSR realm (Parhankangas et al., 2015). This critical instinct is one that we would expect entrepreneurs with a promotion regulatory focus to display through their pursuit of society-oriented social responsibility.

**H1.** Small business owners with a promotion focus will report higher levels of engagement in society-oriented social responsibility.

### Employee and Customer Related Social Responsibility

Many SMEs tend to emphasize CSR efforts that focus on employees, the local community, and other stakeholders that are ‘closer to home’ (Fitzgerald et al., 2010; Jenkins, 2009; Russo & Tencati, 2009). Most SMEs are content to survive as long as they are able to make a sufficient living (Baker, 2003). This may particularly impact an owner/manager’s proclivity towards a prevention focus rather than a promotion focus when considering social responsibility. Companies that place salience on employees as a major stakeholder in their firms’ strategies tend to be more ethical in their human resource practices (Goldsby et al., 2018)

In SMEs the pressure for responsible action is most strongly felt about stakeholders such as employees and customers (Lepoutre & Heene, 2006). This pressure however is often preventative in nature. In other words, small business owners and owners/managers are focused on legal issues related to employment law and consumer protection laws. In addition, “the extent and depth of an SME’s implementation of CSR measures will depend on the owner-manager’s awareness of the costs of irresponsibility as well as of the benefits of responsible behavior” (Ortiz-Avram et al., 2018, p. 259).

CSR to employee behavior, while regulatory in nature may involve minimal treatment such as a focus on the availability of employee training and development opportunities that are both accessible and inclusive and the crafting of reward systems that are fair and equitable (Jamali et al., 2009). In addition, Turker (2009) states that these types of CSR activities involve or are directly related with the physical and psychological working environment of employees. They may do little however beyond keeping the small business outside of the legal system or avoiding any potential lawsuits.

CSR to customer socially responsible behavior may involve openness, honesty and fairness in contracts, agreements, payments and (marketing) information; pricing issues; and the origin of resources (Hornsby et al., 1994;

Humphreys et al., 1993; Lahdesmaki, 2005; Vitell et al., 2000; Vyakarnam et al., 1997). Additionally, consumers are requesting more sustainable products. As consumers become more environmentally conscious SMEs need to consider this in order to meet customer demand. These activities may include increasing quality standards, offering the right products, or offering after-sales support or even prompt delivery services (Stoian & Gilman, 2017). The focus is however, still on prevention as it relates to safety and responsibility.

Both employee and customer oriented social responsibility involve meeting minimum thresholds for employee and customer relations; thus, these measures represent a more vigilance-type approach. As such, we would expect higher levels of prevention focus to associate with higher levels of engagement in employee-oriented and customer-oriented social responsibility.

**H2.** Small business owners with higher levels of prevention focus will report higher levels of engagement in employee-oriented social responsibility.

**H3.** Small business owners with higher levels of prevention focus will report higher levels of engagement in customer-oriented social responsibility.

### Data and Method

Data was collected via mail surveys and online from small business owners or managers through three data collection efforts. In each of the data collection efforts, small business owners or managers, who agreed that they specifically deal with human resources were targeted for the original survey. The organizations of respondents must have at least one and less than 250 employees. The survey was originally designed as a mail survey, and was distributed in summer 2015, to 4103 businesses in Kentucky using traditional methods with a notification letter, survey, and reminder card. With the mail survey, a total of 234 surveys were returned, yielding a response rate of 5.7%. Additional data was collected using Qualtrics Panels (n = 492) and MTurk (n = 401) using the same parameters. Through these means, 1127 surveys were originally collected with 1023 complete surveys.

Since the purpose of this study is to examine the relationship between the regulatory focus of the business owner or owner/manager and firm engagement in social responsibility activities, we removed any respondents who were not the owner or owner/manager of the firm, who did not make key decisions, or who did not participate in the day-to-day operations of the firm. Further, to ensure that all

respondents had a sufficient number of enough employees to be able to respond to employee social responsibility, we restricted the respondents for analyses to those with more than five and less than 250 employees. Firms fewer than five employees are more likely to have informal human resources practices and are potentially less likely to provide professional development opportunities for their employees (Coder et al., 2017). After these restrictions were put into place, 387 observations remained for analysis.

## Measures

### *Social Responsibility Engagement*

We used the society, employee, and customer elements of the Turker (2009) social responsibility constructs. Respondents were asked to indicate the extent to which they or their business had engaged in an activity within the community. Seven items comprise the Societal Social Responsibility measure, and include items such as, “make investments in our community to create a better life for future generations,” “encourage employees to engage in volunteering opportunities,” etc. Cronbach’s alpha for these items is 0.889. Five items make-up the Employee Social Responsibility measure, and include items such as, “Implement flexible policies that allow employees to have a good work/life balance,” “support employees who want to acquire additional education,” etc. Cronbach’s alpha for these measures is 0.802. Three items make up the Customer Social Responsibility measure, including, “Go above and beyond to respect and serve our customers,” “provide customers with full and accurate information regarding our products,” and “ensure high levels of customer satisfaction.” Cronbach’s alpha for these measures is 0.849.

### *Promotion versus Prevention Focus*

The promotion versus prevention achievement orientations were taken from the Regulatory Focus Questionnaire (RFQ) developed by Higgins et al. (2001). These measures have been widely used in the entrepreneurship literature related to regulatory focus (e.g., Bryant, 2009; Hmieleski & Baron, 2008). The RFQ contains 11 items, related to either promotion or prevention focus. Respondents were asked on a scale of 1 to 5, where 1 = never/seldom and 5 = almost always/always, to circle the number that best represents their response. There are five Promotion Focus oriented items, such as “Growing up, would you ever ‘cross the line’ by doing things that your parents would not tolerate?” and “Not being careful enough has gotten me into trouble at times.” Six items comprise the Prevention Focus construct, includ-

ing items such as “Compared to most people, are you typically unable to get what you want out of life?” and “Do you often do well at different things that you try?” Any negative phrases were reverse coded in alignment with Higgins et al. (2001). Cronbach’s alpha for the Promotion items is 0.823. Cronbach’s alpha for the Prevention items was 0.632, which is not uncommon given the measure was extracted from prior research (Zahra et al., 2004)

## Controls

With a focus on the entrepreneur’s regulatory focus and the subsequent firm engagement in social responsibility, we analyze several entrepreneur and firm-related controls. With regards to entrepreneur-level information, we examine gender, age, and education level. Both gender and education level have been found to have important impacts on small business social responsibility (Peake et al., 2017), while the age of the owner has often been included as a control across studies acknowledging the importance of the owner in setting firm values and decisions. In terms of business-level controls, we examine the industry of the firm and the number of full-time employees.

## Results

The averages, standard deviations, and correlations for the variables employed in our analyses are reported in Table 1. We examine three models, one representing each of the dependent social responsibility variables, Societal Social Responsibility, Employee Social Responsibility, and Customer Social Responsibility. The models are reported below. Prior to examining the variables via regression analysis, we undertook statistical analyses to assess the suitability of the data for further analysis. Results of the Harman one-factor test reveal that common method bias does not appear to be a concern with the data, given that the items loaded on 6 factors with no factor comprising more than 23% of the variance (e.g. Andersson & Bateman, 1997; Greene & Organ, 1973; Schriesheim, 1979). We likewise assessed the data for multicollinearity via the calculation of variance inflation factors and condition index values. We found that all VIFs were less than 1.3 and the Condition Index was less than 30, which provides no evidence of issues with multicollinearity (Hair et al., 2013). Given the results of the Harman one-factor test and multicollinearity examinations, we believe our data to be suitable for further analyses. Results of these analyses are available in Table 2 below.

Our results indicate that neither promotion nor prevention focus significantly impact engagement in societal-oriented social responsibility. As such, Hypothesis 1 is not

Table 1  
Average, standard deviation, and correlations for variables under analysis

Variable	Mean	Std Dev	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
1. Societal Social Responsibility	3.54	0.89	-										
2. Employee Social Responsibility	4.06	0.66	0.66*	-									
3. Customer Social Responsibility	4.59	0.57	0.13*	0.46*	-								
4. Prevention Focus	3.91	0.62	0.09*	0.34*	0.47*	-							
5. Promotion Focus	3.56	0.86	0.07	0.17*	0.23*	0.30*	-						
6. Male	0.60	0.49	0.39*	-0.17*	-0.10*	-0.06	-0.10*	-					
7. Education level	4.58	1.41	-0.06	-0.00	-0.02	0.09	-0.00	-0.02	-				
8. Age	42.24	13.03	-0.04	0.10*	0.21*	0.21*	0.14*	0.06	0.12*	-			
9. Retail	0.18	0.39	-0.03	0.00	-0.09*	-0.10*	-0.07	-0.07	-0.03	-0.12*	-		
10. Service	0.40	0.49	0.02	-0.01	-0.04	0.01	0.01	0.06	0.13*	-0.06	-0.38*	-	
11. Manufacturing	0.06	0.24	-0.03	-0.12*	-0.02	-0.10*	-0.02	0.12*	-0.05	0.01	-0.12*	-0.20*	-
12. Number of Employees (FT)	23.59	31.92	0.15*	0.08	-0.04	-0.05	0.01	0.07	0.04	0.00	-0.03	-0.05	0.10*

Table 2  
Results of linear regression analysis

	Model 1 Societal Social Responsibility	Model 2 Employee Social Responsibility	Model 3 Customer Social Responsibility
Prevention Focus	0.115 (0.078)	0.323*** (0.054)	0.384*** (0.044)
Promotion Focus	0.031 (0.055)	0.043 (0.038)	0.053 <sup>1</sup> (0.031)
Male	-0.193* (0.093)	-0.198** (0.064)	-0.085 (0.053)
Education level	-0.048 (0.032)	-0.019 (0.022)	-0.027 (0.018)
Age	0.000 (0.004)	0.002 (0.002)	0.005** (0.002)
Retail	-0.025 (0.130)	0.056 (0.090)	-0.063 (0.074)
Service	0.039 (0.104)	-0.026 (0.072)	-0.068 (0.059)
Manufacturing	-0.113 (0.201)	-0.237 <sup>1</sup> (0.139)	0.034 (0.114)
No. of Employees (FT)	0.005** (0.001)	0.002* (0.001)	0.000 (0.001)
<i>F</i>	2.218*	8.040***	14.145***
<i>R</i> <sup>2</sup>	0.050	0.161	0.252

*N* = 387, \*\*\**p* < 0.001, \*\**p* < 0.01, \**p* < 0.05, <sup>1</sup>*p* < 0.10

supported. Although Model 1 has weak predictive power overall, two control variables exhibited significance in this model: gender ( $\beta = -0.193$ ,  $p < 0.05$ ) and number of employees ( $\beta = 0.005$ ,  $p < 0.01$ ). The significant effects for gender suggest that men negatively impact the level of society-oriented social responsibility engagement. The number of employees was positively and significantly associated with the level of societal-oriented social responsibility engagement.

The two subsequent models, however, provide both greater predictive power and lend support to Hypotheses 2 and 3, since prevention focus is positively and significantly associated with higher levels of engagement in employee ( $\beta = 0.323$ ,  $p < 0.001$ ) and customer-oriented ( $\beta = 0.384$ ,  $p < 0.001$ ) social responsibility. The results of Model 2 suggest that, as in Model 1, gender ( $\beta = -0.198$ ,  $p < 0.01$ ) and the number of employees ( $\beta = 0.002$ ,  $p < 0.05$ ) in the firm likewise hold significant impacts on engagement in employee-oriented social responsibility.

As mentioned previously, prevention focus underpins the findings in Model 3. Here we also find a marginal influence of promotion focus ( $\beta = 0.053$ ,  $p < 0.10$ ) on engagement in customer-oriented social responsibility. In terms of controls, age of the owner or owner/manager ( $\beta = 0.005$ ,  $p < 0.01$ ) is significantly associated with higher levels of engagement in customer-oriented social responsibility.

### Robustness Check

The results of the model for societal-oriented social responsibility were both surprising and unexpected. As such, we ran a robustness check for the model. Since the number of employees held a substantial association with engagement in societal social responsibility, we examined the robustness of our results are differing thresholds for number of employees. With a model that examined the minimum number of employees at 10, the results held for gender and number of employees, respectively. Regulatory foci

did not enter the model as a significant predictor, and the gender and number of employees variables held, although the significance for the number of employees waned as the minimum employee threshold grew larger; thus, suggesting an important role for slack, which we address in the subsequent section.

### Discussion, Implications and Conclusions

In utilizing the lens of regulatory focus, our study sheds new light upon the micro-foundations of CSR within the SME context. CSR researchers and practitioners have a long history of pointing to the ‘business case for CSR’ (e.g. Carroll & Shabana, 2010; Friedman, 1970; Panwar et al., 2017) by emphasizing the potential gains that organizations, including SMEs, could achieve through the adoption of such practices (Panwar et al., 2016, 2017). While the economic value of CSR is a priority within SMEs, it appears that the focus is more on vigilance, or preservation, and less on gains. Further, our findings suggest a prevention regulatory focus leads entrepreneurs to strategically interact with specific stakeholders, namely customers and employees, in an attempt to insulate their firms from failure.

Stakeholder salience (Mitchell et al., 1997; Sen & Cowley, 2013) likely plays a key role in terms of whose interests are prioritized by the entrepreneur (Panwar et al., 2016). Mitchell et al. (1997) outlined the importance of any given stakeholder based on the possession of one or more of the following attributes: power, legitimacy, and/or urgency. Stakeholders possessing a single attribute are latent, while those possessing two or more attributes are perceived as more salient. Sen and Cowley (2013) list a range of potential SME stakeholders in terms of highest to lowest salience. Employees and customers are classified as *dominant* stakeholders, while groups that make up societal social stakeholders (e.g. community, political groups) are considered *discretionary* stakeholders. These assertions are backed by the work of Fassin et al. (2011), given that they found job creation and job continuity were the most widely recognized and accepted forms of social responsibility by small business owners; thus, solidifying the importance of employee-oriented social responsibility for small business owners and owner/managers.

This classification of dominant versus discretionary ties back to one of CSR’s seminal frameworks; Carroll’s (1979) CSR pyramid. Carroll (1979; 1991) defines CSR as encompassing “the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time.” In addition, the study gives values or weights to each of the four components based on the relative importance that executives place on

each area. Similar to Maslow’s (1943) hierarchy of needs, Carroll emphasized the need for organizations to work from the bottom up to meet each of the CSR components, with economic responsibilities being met first, followed by legal, then ethical, and lastly, discretionary. Meeting the needs of dominant stakeholders (i.e. customers and employees), falls in line with meeting the economic, legal, and ethical responsibilities outlined by Carroll (1979). Meeting the needs of discretionary stakeholders (i.e. societal social stakeholders) falls within Carroll’s discretionary/philanthropic responsibilities. As the name implies, these ‘responsibilities’ are voluntary, or optional, by nature. Discretionary CSR is not considered a required ethical or moral responsibility, and therefore society does not deem organization’s ‘unethical’ for not engaging in said efforts (Carroll, 2016). In other words, losses are not likely to occur if organizations fail to engage with discretionary stakeholders. Failure to meet the needs of dominant stakeholders, on the other hand, could result in potential losses, whether they be in the form of profit loss, legal repercussions, reputational hits, or all the above. While SMEs are not subject to the same level of global scrutiny as large firms, they are still vulnerable, making preservation of business reputation a primary motivation for engaging in CSR (Sen & Crowley, 2013). As such, further examination of balance with more discretionary stakeholders in the social responsibility domain merits further attention from researchers in the SME context.

With the discretionary nature of societal-oriented social responsibility, there is the possibility that organizational slack plays an important role in facilitating engagement in that domain. Although we do not have conclusive evidence, our analysis suggests that engagement in societal-oriented social responsibility heightens when the firm is larger in terms of number of employees. A larger number of employees may suggest the firm is of sufficient size for organizational slack to become a point of leverage for participation in more discretionary forms of social responsibility. Prior research suggests that organizational slack in the form of human resources and financial stability (George, 2005; Jenkins, 2004) may allow a firm to commit more time and financial resources to social responsibility (Panwar et al., 2017). As such, we suggest that future explorations for more discretionary forms of social responsibility consider the effects of slack resources, both in terms of human resources and financial resources.

Given that entrepreneurs appear to be engaging in CSR as a means to avoid loss rather than achieve gains, it would be interesting for future research to examine entrepreneurs’ holistic attitudes towards CSR itself. Do they feel ‘forced’ to engage in such efforts, and as a result, does that affect whether they view the efforts in a positive or negative light?

Do they feel true autonomy over the CSR efforts, given the perceived obligations towards certain stakeholders? In a study of executives, Mazereeuw-van der Duijn Schouten et al. (2014), found that the attitude of CSR as a financial responsibility was associated with higher engagement in CSR behaviors aimed at internal stakeholders. We do not have a substantial understanding of attitudes in the small business context, however, and although these results suggest there may be some alignment in small and large corporations related to these attitudes and their impact on socially responsible behavior, more research is needed.

### Practical Implications

Prior research suggests that regulatory focus of the individual affects how opportunities should be framed in order to gain support (Yi & Baumgartner, 2009). This work suggests that although messages or pitches may be factually equivalent, framing can affect how the message is received, depending on regulatory focus of the recipient (Yi & Baumgartner, 2009). Such results are supported on the consumer-side as well, since CSR and sustainability issues regarding the environment are most appealing when prevention framing is utilized (Bullard & Manchanda, 2013). Our research appears to provide support for this, particularly in the context of pitching socially responsible initiatives to entrepreneurs and small business owners. In focusing the sharing of socially responsible behaviors from a vigilance or avoiding loss frame, our results suggest entrepreneurs may be more responsive regarding employee and customer-oriented socially responsible behaviors.

### Limitations

Although this work holds substantial implications for social responsibility in the SME context, there are several limitations to acknowledge. The data examined are cross-sectional and self-reported. While this is certainly a limitation, we do not believe it impedes the interpretation of the analyses, nor the implications of the results. In designing the survey instrument, we followed best practices by Podsakoff et al. (2003) to minimize common method bias. Further, we analyze the data for common method bias and do not find any evidence that this issue inhibits us from analyzing the data and making meaningful inferences from those analyses. In fact, Spector (2006) suggests that the influence of common method variance in organizational research is vastly overstated. Additionally, our data is restricted to US-based entrepreneurs; thus, care must be taken in generalizing our results across the globe, particularly given that Kung et al. (2016) found important differences for reg-

ulatory focus and message framing across cultures.

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