

LAPPEENRANTA-LAHTI UNIVERSITY OF TECHNOLOGY LUT
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Degree Programme in International Business and Entrepreneurship

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**THE IMPACT OF SUSTAINABLE BEHAVIOR ON INTERNATIONALIZATION
OUTCOMES OF SMEs**

Examiners: Docent L. Torkkeli
Post-Doctoral Researcher A. Vuorio

ABSTRACT

Lappeenranta-Lahti University of Technology LUT
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The impact of sustainable behavior on internationalization outcomes of SMEs

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90 pages, 50 figures, 23 tables and 8 appendices

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Keywords: SME, internationalization, sustainability, responsible business practices

This research tries to understand the relationship between the responsible business practices and the internationalization outcomes of small and medium-sized enterprises (SMEs) originating from Finland. The study of internationalizing SMEs is a sub-domain of the international entrepreneurship research. The subject of sustainability has been widely researched also in the international context, but the majority of studies concentrates on large multinational companies. Previous studies on the relationship between sustainability and performance have demonstrated contradicting results. Thus, this research tries to provide answer, whether usually resource constraint SMEs will end up in a tradeoff situation when implementing responsible business practices.

The empirical part of the research is based on a sample of 210 internationally operating small- and medium-sized enterprises (SMEs) from Finland. The data was collected by an online survey between November 2017 and February 2018 and further analyzed with the Stata program. Multiple regression analyses were performed. The results indicate that the implementation of RBPs regarding employees can lead to better operating turnover. Furthermore, implementing RBPs does not lead to financial losses. The RBPs regarding environment, employees and the local community can lead to a competitive advantage.

TIIVISTELMÄ

Lappeenrannan-Lahden teknillinen yliopisto LUT
School of Business and Management
Degree Programme in International Business and Entrepreneurship

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Vastuullisen käyttäytymisen vaikutus pienten ja keskisuurien yritysten kansainvälistymisen tuloksiin

Pro gradu -tutkielma
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Hakusanat: pk-yritykset, kansainvälistyminen, kestävä kehitys, vastuullinen käyttäytyminen

Tämä tutkimus pyrkii selittämään vastuullisen käyttäytymisen ja kansainvälistymisen tuloksien suhdetta suomalaisten pienten ja keskisuurien (pk) yritysten kontekstissa. Pk-yrityksien kansainvälistyminen on osa kansainvälisen yrittäjyyden tutkimusta. Vastuullista toimintaa on tutkittu kansainvälisessä kontekstissa, mutta suurin osa tutkimuksista pohjautuu suuriin kansainvälisiin yrityksiin. Aiemmat tutkimukset liittyen vastuullisuuden suhteesta yrityksen taloudellisiin tuloksiin ovat esittäneet ristiriitaisia tuloksia. Siitä johtuen, tämä tutkimus pyrkii vastaamaan, joutuvatko usein pk-yritykset, jotka ovat riippuvaisia vähistä resursseistaan, tekemään kompromisseja vastuullisen käyttäytymisen suhteen.

Tutkimuksen empiirinen osuus pohjautuu 210 kansainvälisesti toimivaan suomalaiseen pk-yritykseen. Tiedot on kerätty nettikyselyllä aikavälillä marraskuu 2017-helmikuu 2018 ja myöhemmin analysoitu Stata-ohjelmalla. Tiedot on tutkittu usean selittäjän regressiomalleilla. Tulokset osoittavat, että vastuulliset toimet, jotka kohdistuvat työntekijöihin voivat johtaa parempaan liikevoittoon. Lisäksi, vastuullinen käyttäytyminen ei johda taloudellisiin menetyksiin. Vastuulliset toimet, jotka kohdistuvat luontoon, työntekijöihin ja paikalliseen yhteisöön voivat johtaa kilpailuetuun.

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LIST OF SYMBOLS AND ABBREVIATIONS

BE – Business ethics

CER – Corporate environmental responsibility

CSR – Corporate social responsibility

CSP – Corporate social performance

CFP – Corporate financial performance

IB – International business

IE – International entrepreneurship

MNC – Multinational corporation

MNE – Multinational enterprise

OECD – Organization for Economic Co-operation and Development

RBB – Responsible business behavior

RBP – Responsible business practices

R&D – Research and development

SME – Small and medium-sized enterprise

1 INTRODUCTION

Introduction of this thesis presents the framework of this study by giving background on the topic, explains the research gap and the objectives of this study and presents the research questions used in order to answer to the questions based on the research gap about the internationalization outcomes of small and medium sized enterprises (SMEs) originating from Finland. In addition, definitions and delimitations are presented as well as the structure of this thesis.

1.1 Background

Sustainability and Corporate Social Responsibility (CSR) are booming topics both in the current news as well as in research. Issues such as global warming, ozone layer getting thinner and loss of biodiversity are concerning more and more every day. The business-as-usual approach is seen as a threat for natural systems (Ambec & Lanoie, 2008), which are of great economic value of the planet because of their contribution to human welfare (Costanza et al., 1997). In addition to the natural issues, there are also issues in human rights, poverty as well as disease such as HIV/aids. These issues lead to an increasing demand for contributing on sustainable development. (Kolk & van Tulder, 2010) The pressure is not only on companies and their actions but also on governments and multinational organizations proposing and implementing new legislation.

Emerging economies, market liberalization and advancements in information and communication technologies are changing the global economy (Bello, Radulovich, Javalgi, Scherer, & Taylor, 2016), and especially the advancements in information technology are enabling international economic opportunities (Ruzzier, Hisrich, & Antoncic, 2006). The low-cost of these has enabled also new ventures with limited resources to compete in markets that once were mostly occupied by large and mature multinational enterprises (MNEs) (Oviatt & Mcdougall, 2004). The number of SMEs operating only in the European Union was 25 million in 2018, which counts for over 99 percent of EU's non-financial business sector (European Commission, 2003) and also across OECD the number of SMEs is approximately 99 percent (Organisation for Economic Co-operation and Development, 2019). By becoming a major part of the economy, SMEs have begun to gain a more meaningful role also in international trade

(Knight, 2001; Knight & Cavusgil, 2004) already in the early stages of their organizational lifecycles (Shrader & Oviatt, 2000).

The field of internationalizing SMEs is said to be still fragmented in spite of all the attempts of creating an integrative view, and the knowledge of the relationship of performance and internationalizing SMEs is scarce (Ribau, Moreira, & Raposo, 2018). Thus, more research is needed. According to Ribau et al.'s (2018) literature review on internationalizing SMEs, the most commonly used topics are regarding performance, internationalization process, strategic perspective, entrepreneurship approach, network-approach and the knowledge-based approach. There is an evident lack of studies focusing on the sustainability of internationalizing SMEs. However, sustainable behavior has been researched among big MNEs (Kolk & van Tulder, 2010; Topple, Donovan, Masli, & Borgert, 2017). There are also studies comparing the CSR of SMEs and large corporations (Baumann-Pauly, Wickert, Spence, & Scherer, 2013; Zbucea & Pinzaru, 2017), CSR in multinational companies without separating the firms by their size (Aguilera-Caracuel, 2015) as well as sustainable behavior of SMEs without the internationalization perspective (Avram & Kühne, 2008; Lee, Herold, & Yu, 2016; Luken & Stares, 2005).

The research of CSR has been said to be fragmented (Aguinis, 2012) and an unambiguous definition of CSR is still missing (Dahlsrud, 2008). The main idea of corporate social responsibility can be understood through the definition from Davis (1973, 312-313): "it refers to the firm's consideration of, and response to issues beyond the narrow economic, technical and legal requirements of the firm. - - It is a firm's acceptance of social obligation beyond the requirements of law." CSR is usually used when referring to large companies as they have the power and resources to act ethically and responsibly. In addition, their reputation as well as the price of their shares might be at risk. (Jenkins, 2006) SMEs are more restricted with their resources and time (Spence, Laura J., 1999), and there are cultural differences of large MNEs and SMEs (Jenkins, 2004), which lead to the fact that not all CSR actions as such can be applied in the context of SMEs. Thus, following Moore and Spence (2006), who refer to Southwell (2004), in the use of the definition of responsible business practices, which is seen more suitable in describing the social and ethical actions of SMEs. This definition is also adopted in this study.

Although the relationship between socially responsible activities and corporate financial performance (CFP) has been widely researched with contradicting results (Barnett & Salomon, 2012; Holtbrügge & Dögl, 2012), there is little research on the implications of responsible business practices in the outcomes and financial performance of internationalizing SMEs. The research gap is significant, as SMEs tend to be resource-constrained (Spence, 1999), so sustainable behavior might set them to a trade-off situation. This is why it is also important to understand how the investment of resources for sustainability is impacting the financial performance. This study tries to fill this research gap, as well as provide insight for SME managers for future directions in engaging in responsible business practices.

1.2 Research questions

The main objective of the research is to understand the connections of sustainable behavior and internationalization outcomes of SMEs operating in Finland. The main research question of this study is:

What is the impact of sustainable behavior on internationalization outcomes of SMEs?

The main research question is divided into the following two sub questions:

1. How do responsible business practices impact international financial performance of SMEs?
2. How do responsible business practices impact the competitive advantages of internationalizing SMEs?

1.3 Literature review

The research of IE has been said to be fragmented and lacking theory (Keupp & Gassmann, 2009). Jones, M.V., Coviello & Tang (2011) provide a response for this criticism with a systematic review on IE between the years 1989 to 2009 by giving a comprehensive inventory on the domain. They classified the research of IE into three thematic main groups, which are entrepreneurial internationalization, international comparisons of entrepreneurship and comparative entrepreneurial internationalization. These thematic groups help in the future research and debates concerning the domain. (Jones, M. V., Coviello, & Tang, 2011)

SME internationalization is seen as an important part of International entrepreneurship research as the emphasis is in the entrepreneurship and entrepreneurs as well as their characteristics, which represent the main part of the entrepreneurial perspective of SMEs. As more and more SMEs start operating international already from the beginning time is seen as a strategic dimension of internationalization. (Ruzzier et al., 2006)

Ribau et al. (2018) studied the internationalization of SMEs and found out that there is an increasing interest in the topics of internationalization process, the strategic perspective, and the network approach. In order to understand the challenges of SMEs better and adding new value to SME internationalization research scholars have brought up concepts such as BGs, INVs, and rapid/early internationalization. The research is mainly concentrated to Europe, which might result from the number of SMEs operating in the area. (Ribau et al., 2018)

Findings of a more recent study by Steinhäuser, Paula, & de Macedo-Soares (2020), who studied the main themes of internationalization of SMEs over a 20-year period (from 1998 to 2017), present that antecedents, patterns and outcomes are the most relevant themes rising from the literature. In addition, these themes are similar to previous frameworks in the IB literature. The articles about antecedents are about the factors influencing SMEs to internationalize, and the ones on patterns refer to different actions SMEs take that lead to internationalization. The articles regarding outcomes of SME internationalization can be divided to three types depending on what the influencer is, individual, firm or the environment. (Steinhäuser, Paula, & de Macedo-Soares, 2020)

Martineau and Pastoriza (2016) have studied the international involvement of established SMEs, which have been operating already a few years before their decision to export. Articles regarding the international involvement of SMEs are mostly about antecedents but also about international involvement and outcomes. Several theories stand out from the articles including international entrepreneurship theory, resource-based view of the firm, network theory and the stages theory of internationalization. The outcomes are divided into general and performance outcomes, of which the latter is criticized due to its limitations, e.g. of relying only on subjective measures. Studies present different results for the international involvement and performance outcomes and are justified with different theories. (Martineau & Pastoriza, 2016) Most research on internationalization and its theories has been said to concentrate on large multinational

enterprises (MNEs). These theories aren't always suitable in explaining internationalization of SMEs. (Ruzzier et al., 2006)

International business/management as well as corporate responsibility and corporate social responsibility have risen interest increasingly during the past years. Yet, the number of studies regarding the topic is still scarce. Kolk & van Tulder (2010) have focused on the research concerning CSR and sustainable development in international business and present five dimensions, which are meaningful for future research. These include the following drivers: institutions, industry dynamics, firm-specific resources, capabilities as well as supply and demand (including international supply and production networks and corporate partners). (Kolk & van Tulder, 2010) Egri & Ralston (2008) have examined 321 articles from international management journals regarding corporate responsibility (CR) concerning the environmental and social aspects and found out that the emphasis is more on ethics and governance than CSR and environmental responsibility. The focus has been in wealthier nations (especially the U.S. and Western countries) and the poorer and less developed nations haven't received as much interest. (Egri & Ralston, 2008)

Holtbrügge & Dögl (2012) have studied the international aspects of corporate environmental responsibility (CER) in their study and state that most CER research are based on two dominant theories the resource-based view and the institutional theory and name some other used theories including the stakeholder theory.

In addition, Pisani, Kourula, Kolk & Meijer (2017) have reviewed articles on CSR in international management/business and highlight that the research on SMEs is lacking, and the majority of the research is concerning large MNEs (Pisani, Kourula, Kolk, & Meijer, 2017). CSR research should be tailored for SMEs and go beyond the "corporation" viewpoint of the concept. Although CSR might be more informal in SMEs than larger firms, it is more strategic for them. Networking impacts CSR regardless of the size, but how they influence stakeholders differs. Compliance and the personal involvement of managers are important factors in the adoption of CSR. (Zbucea & Pînzaru, 2017)

Vázquez-Carrasco & López-Pérez (2013) reviewed 28 articles of CSR used in the SME context. The main themes rising in these articles were regarding the idiosyncrasies of SMEs, the

language and terminology used, the theoretical frameworks used to explain the phenomena, drivers and barriers as well as consequences of CSR. The oldest article was from 2006, but most (65%) were published after 2009, which makes the subject quite new. The predominant research methodology was qualitative, and quantitative studies were clearly underrepresented. (Vázquez-Carrasco & López-Pérez, 2013)

Ortiz-Avram, Domnanovich, Kronenberg, & Scholz (2018) reviewed systematically 118 articles of CSR in the context of SME strategy. These articles were then categorized to four different categories: entrepreneur's/owner-manager's ethical values and social connections, the significance of CSR to business context and long-term performance, CSR integration and the importance of formal processes related to it, and the relevance of political issues. They found 56 terms used for describing CSR in SMEs. Not only does this demonstrate that the terms used for describing CSR in SMEs varies, but also the challenge of understanding how CSR can be applied to SME operations. (Ortiz-Avram, Domnanovich, Kronenberg, & Scholz, 2018) The fact that literature on SMEs and responsible business practices (RBPs) can be found in a variety of journal types, makes it difficult to gather and thus hard to cover comprehensively. (Moore & Spence, 2006)

Applying the stakeholder approach in responsible business practices can possibly contribute to a sustainable competitive advantage for a firm similarly as with CSR. Trusting, trustworthy and cooperative behavior of a firm towards its stakeholders can lead to a competitive advantage, which can improve the performance of the business. (Jones, T., 1995) Also, stakeholders are content with the cooperation with firms, which have implemented responsible business practices besides their normal business (Marín, Rubio, & Maya, 2012) Longo, Mura & Bonoli (2005) state that socially responsible behavior of SMEs creates value for the firm, customers may become more loyal to the company and the relationships with employees and the local environment can improve. Herrera Madueño, Larrán Jorge, Martínez-Martínez, & Martínez Conesa (2015) also present that responsible business practices towards different stakeholders not only strengthens the linkages to them but also impacts positively on firm's competitiveness. The stakeholder groups consist of employees, the environment, customers and society (Herrera Madueño, Larrán Jorge, Martínez-Martínez, & Martínez Conesa, 2015). Furthermore, these key stakeholders have been later used also in the study of Martínez-Martínez, Herrera Madueño,

Larrán Jorge, Lechuga Sancho (2017). Aligning with Herrera Madueño et al. (2015) and Martínez-Martínez et al. (2017) these four key stakeholder groups are also used in this study.

Margolis & Walsh (2003) have reviewed 127 studies and state that there is a positive association between a company's social and financial performances. In addition, there is very little evidence of having negative association between them. (Margolis & Walsh, 2003) Also, Orlitzky, Schmidt and Rynes (2003) have come to a similar conclusion in their meta-analysis of 52 studies. According to them especially social responsibility, and to some extent also environmental responsibility, is probable to pay off. (Orlitzky, Schmidt, & Rynes, 2003)

1.4 Theoretical framework

The stakeholder approach and the four key stakeholder groups the environment, employees, customers and the local community are applied in the theoretical framework of this study. The responsible business practices studied are thus divided among these four key stakeholder groups. These responsible business practices are then used as the explanatory variables for the outcomes, which are divided to financial outcomes and competitive advantage. The theoretical framework is presented in Figure 1. It presents the key concepts and their relationships.

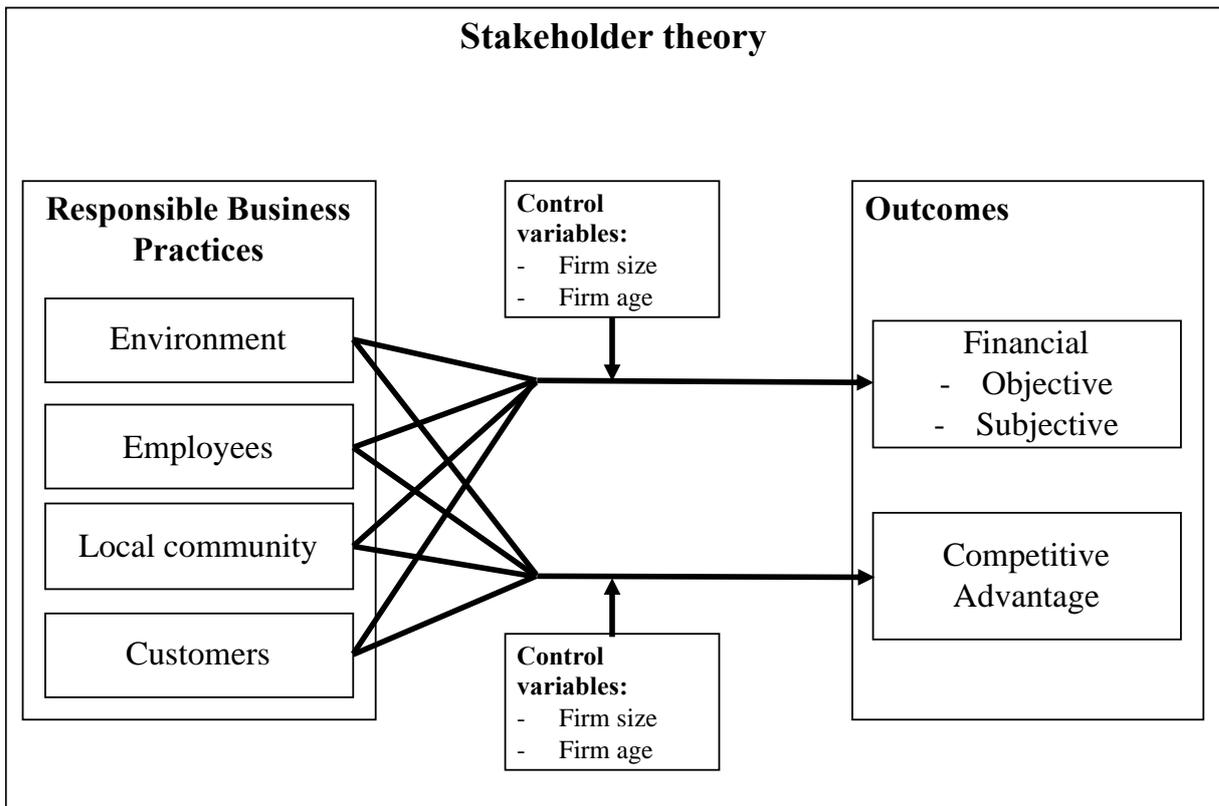


Figure 1 Theoretical framework of this study

1.5 Definitions and delimitations

This research focuses on studying the impact of sustainable behavior on the internationalization outcomes of SMEs. SMEs in this study are limited to ones originating from Finland and micro-enterprises (with employees from one to ten) as well as non-independent SME-sized organizations were left out of the research. In addition, sustainable entrepreneurship was left out of this study. The SMEs in this study are from different industries and the purpose of this study is not to explain the topic from a specific industry, but rather to give an overview of SMEs from Finland. The research context and data collection are further explained in Chapter 3.

The scope of the study includes on internationalization and sustainability of SMEs. An overview of international entrepreneurship is presented, which then leads to one of its sub-domains, the internationalization of SMEs. Other sub-domains of international entrepreneurship are not covered in this study. The sustainability part of the thesis is divided into sustainable international business and sustainability in SMEs. This is due to a scarce amount of literature on the sustainability of internationalizing SMEs. The sustainable

international business part tries to explain the findings of sustainability in the international context without limiting the size of the companies studied, as the majority of studies concentrate on large MNEs. On the other hand, the sustainability of SMEs doesn't take into consideration the international aspect and solely concentrates on the studies of SMEs.

The aim of the study is to understand whether it pays off for an SME to engage in responsible business practices. The topics covered in this study are international entrepreneurship, internationalizing SMEs, sustainability, and responsible business practices. These key terms are understood according to their definitions below:

International entrepreneurship (IE)

International entrepreneurship (IE) is defined as “a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations” (Oviatt & McDougall 2000, 903).

Internationalization

” Internationalization is a synonym for the geographical expansion of economic activities over a national country's border” (Ruzzier et al. 2006, 477).

SME

In this study, SMEs are understood according to the definition of the European Commission (2003) as companies employing less than 250 people, a turnover under 50 million or under 43 million euros of the balance sheet's total. (European Commission, 2003)

Sustainability

Sustainability roots from sustainable development, which is defined as “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Commission on Environment and Development, 1987).

Corporate social responsibility (CSR)

The definition of corporate social responsibility (CSR) is adopted from the definition of Davis (1973, 312-313): “it refers to the firm’s consideration of, and response to issues beyond the narrow economic, technical and legal requirements of the firm. - - It is a firm’s acceptance of social obligation beyond the requirements of law.”

Responsible business practices

Following Moore and Spence (2006), who refer to Southwell (2004), in the use of the definition of responsible business practices, which describes the social and ethical actions of SMEs. (Moore & Spence, 2006) Responsible business practices is seen as more suitable in the context of SMEs rather than the CSR mainly in the context of large multinationals and thus is used in this study.

1.6 Research methodology

This study is done with a quantitative research method. The empirical part of this master’s thesis was executed using a multiple regression analysis. Regression has been used widely in IE research, when it has been researched with a survey (Coviello, Nicole E. & Jones, 2004). In the regression analysis, the variables regarding responsible business practices were five sub-topics including environmental practices targeted for long-term commitment, operational environmental practices, practices related to employees, local community and customer engagement. The outcome was measured with objective financial measures, Operating revenue, EBITDA and ROA using net income as well as with a subjective measure, the perceived international profitability of the company.

1.7 Structure of the research

This thesis consists of five main chapters. The introduction presents the background and research gap, which lead to the research questions. This is followed by a summary of the literature review, which leads then to the theoretical framework of the research. The most

important definitions are covered as well as the delimitations and methodology of the research are presented. The second chapter of the research concentrates on two wider phenomena, international entrepreneurship and sustainability. The international entrepreneurship part will present the internationalization of SMEs as well as the link between the internationalization of SMEs and its outcomes. The sustainability part will introduce the phenomena in an international business setting as well as in SMEs. The relationship between sustainability and performance in SMEs is presented and the first three hypotheses are presented. The last subchapter presents the relationship of performance and sustainability. Finally, the last hypothesis is presented.

The third chapter presents the empirical part of the research. First the research context is presented, followed by data collection methods, data analysis and methods, measure development, and last reliability and validity methods. The fourth chapter presents the findings of the research including hypothesis testing and the regression models. The fifth chapter presents the theoretical contributions, practical implications, limitations and future research areas. The structure of the thesis is presented below in Figure 2.

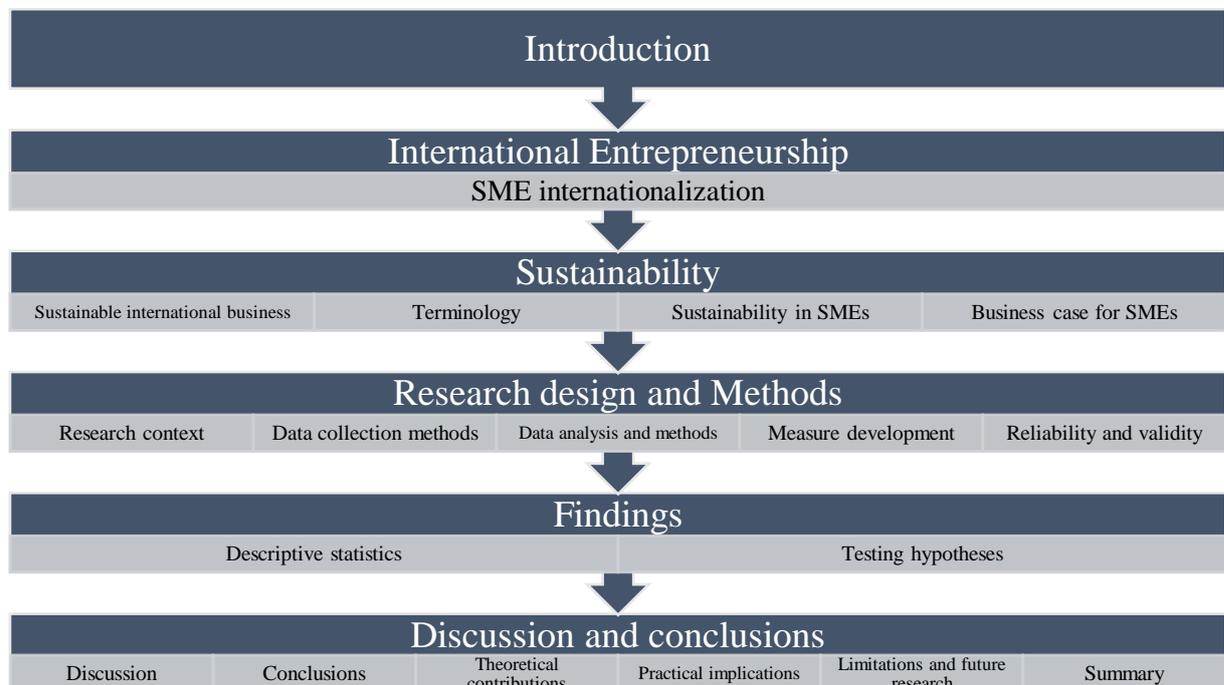


Figure 2 Structure of this thesis

2 LITERATURE REVIEW

This chapter discusses internationalizing small and medium-sized enterprises (SMEs), their sustainable behavior and their impact on the bottom line. This literature review covers three main topics: international entrepreneurship, sustainable international business and sustainability in SMEs. The chapter starts with an overview of international entrepreneurship and its relation to SME internationalization. The second part defines sustainable international business and presents the main findings regarding the subject in the context of large MNEs. The third part presents the role of sustainability and its impact on the financial performance in SMEs.

2.1 International Entrepreneurship

The research of IE has been argued to start from the first definition provided by McDougall (1989), who used it for referring to new ventures engaging in international business. As researchers are expanding their focus both from MNEs to entrepreneurial firms and from single-country entrepreneurship research to cross-border and multi-country research, both fields are able to learn from each other. (Oviatt & McDougall, 2000) IE research is seen as an intersection of its parent disciplines and being impacted by other domains, e.g. strategic management, economic, knowledge management and economic geography. It is seen as a complex phenomenon and it cannot be explained by any single theory. (Coviello, Nicole E., McDougall, & Oviatt, 2011)

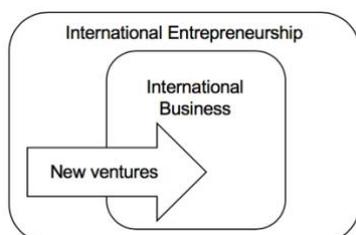


Figure 3 One of the first definitions of international entrepreneurship

International entrepreneurship (IE) can be defined as “a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations (Oviatt & McDougall, 2000 903)” and is seen as the first proper definition of the

field (Jones et al., 2011). Afterwards, it has been followed with new definitions as the knowledge in the field has increased (Jones et al., 2011).

Zahra & Garvis (2000) found out that with international entrepreneurial efforts a firm can perform better although foreign markets would be hostile. Yet, the managers should act carefully, but not forget the entrepreneurial risk taking (Zahra & Garvis, 2000). Despite a firm being a new international venture or a more established one, understanding the individuals and teams behind a firm are important in understanding a firm's entrepreneurial internationalization behavior (Coviello, Nicole, 2015).

Kiss et al. (2016) found out that the research on international entrepreneurship research in emerging economies is still limited despite the potential of the entrepreneurial firms for the economy and the growth in the number of firms in emerging economies. Hagen et al. 2014 call for an integration of entrepreneurship, innovation, and internationalization, as the first two play a central role in the internationalization process due to the quickly changing environments. Although there are studies regarding the topic, it still calls for future research.

Oviatt & McDougall (2004) present the phenomenon of international new ventures (INVs), organizations, which are international from the beginning and criticizes the internationalization theories used for MNEs of not being suitable for INVs. They present a framework combining international business, entrepreneurship and strategic management, which explains why INVs exist and how to describe different types of them. (Oviatt & McDougall, 2004) Autio (2005) highlights the importance of advances in the internationalization theories introduced by McDougall and Oviatt providing a better understanding towards the process as well as the initiation of internationalization.

According to Jones et al. (2011) international entrepreneurship research can be divided into three types, where Type A focuses on entrepreneurial internationalization, type B on international comparisons of entrepreneurship and type C on comparative entrepreneurial internationalization. The first two align with the definitions of IE by Oviatt and McDougall (2000; 2005). Entrepreneurial internationalization is divided to five themes venture types, internationalization, networks and social capital, organizational issues, and entrepreneurship.

(Jones et al., 2011) Internationalization of SMEs lies in the subgroup venture types and thus can be seen as an important sub-domain of IE (Steinhäuser et al., 2020).

Coviello & Jones (2004) have reviewed IE studies, and describe them as having a rich international perspective. Among the IE literature there has been efforts to combine the international and entrepreneurial aspects, of which the extant literature is a proof of. Moreover, there has been an expansion to focus on SMEs. (Coviello & Jones, 2004) Also, Ruzzier et al. 2006 bring up that IE is an approach used for the research of internationalization of SMEs (Ruzzier et al., 2006).

2.1.1 SME internationalization

” Internationalization is a synonym for the geographical expansion of economic activities over a national country’s border” (Ruzzier et al. 2006, 477). The internationalization process is commonly explained with the Uppsala model, where a firm increases its international involvement gradually (Johanson & Vahlne, 1990), or the network approach, where a firm creates relationships and develops its position in foreign markets through its networks. (Johanson & Mattsson, 1988).

The traditional stage theories of internationalization and the networking approach have been criticized. The psychological and geographical proximities are not seen as the only factors affecting small firm internationalization, as domestic and foreign client followership, targeting niche markets and industry-specific considerations have demonstrated their impact also. Therefore, the internationalization processes cannot be explained solely with these theories at least in high-technology and service-intensive sectors. (Bell, 1995) Also, Coviello & Munro (1997) state that the theories of internationalization in stages should be expanded to include the impact of networks when discussing the internationalization of software firms. A combination of these theories gives a wider understanding of the drivers, which lead to internationalization as well as the patterns of internationalization activities. This is also supported by a comparative study of Canadian and UK high-tech SMEs, which shows that internationalization does not follow a systematic and linear pattern, but a less logical one, where existing networks and spontaneous encounters lead to new opportunities (Spence, Martine & Crick, 2006).

Knight & Cavusgil (1996) presented the concept of Born Globals (BGs), which are small technology-driven firms driven by entrepreneurs, who see the whole world as their marketplace and as such challenge the stage theories of internationalization. According to Saarenketo, Puumalainen, Kuivalainen & Kyläheiko (2004) the internationalization process of BGs can be explained by adopting a knowledge-based view of the firm, which can be used to understand how knowledge and capabilities of a firm contribute to the pace and extensiveness of internationalization. Findings of a longitudinal study of SMEs in the Finnish ICT-sector imply that firms' level of knowledge and capabilities have either improved or the nature of knowledge has evolved so that it is easier to achieve international competitive advantage. Thus, the internationalization of these firms has become more intensive. (Saarenketo, Puumalainen, Kuivalainen, & Kyläheiko, 2004) Another viewpoint challenging the internationalization theories usually applied to MNEs are the international new ventures (INVs), which are firms that are international already from the beginning and try to benefit and gain a competitive advantage from it (Oviatt & Mcdougall, 1994). The age to internationalize might have an impact on the expansion, survival and performance of a company (Zahra, 2005).

SMEs' internationalization patterns have been also researched. Korhonen, Luostarinen & Welch (1996) studied 480 Finnish domestically owned SMEs and found out that more than half started the internationalization with inward operations and only 45% with outward operations. Inward operations include for instance importing, franchising, licensing, direct investments and alliance deals (Luostarinen & Welch (1990, cited in Korhonen et al. 1996) European SMEs have been also studied in the context of internationalization inward and outward operations. Engaging in both inward and outward operations leads to a greater turnover growth than just engaging in one of them, when talking about the same country. The knowledge acquired via the inward operations may allow the firm to take advantage of when executing the outward operations and vice versa. This knowledge has also a positive impact on turnover growth. (Hernández & Nieto, 2016)

Steinhäuser et al. (2020) present two streams in the research of SME internationalization, ones focusing on the IE aspect with SMEs as a sub-domain and others focusing on the SME internationalization process. Ruzzier et al. (2006) have integrated several SME internationalization theories into a new SME internationalization development theory, which is a part of the international entrepreneurship research. The developed theoretical model

concentrates on four internationalization properties (mode, market, product and time), international performance, key antecedents (environmental, firm and entrepreneur's characteristics) as well as consequences of internationalization (firm performance). (Ruzzier et al., 2006) The SME internationalization process has been studied from different viewpoints including exporting and its challenges (Francioni, Pagano, & Castellani, 2016; Paul, Parthasarathy, & Gupta, 2017), information and knowledge as key resources for enhancing the process (Costa, Soares, & de Sousa, 2016) as well as the different entry modes (Bruneel & De Cock, 2016; Laufs, 2014) (Steinhäuser 2020).

The drivers and barriers of SME internationalization have been researched by several authors. Asemokha, Ahi, Torkkeli & Saarenketo (2019) found out that significant drivers of SME internationalization are the impact of network relationships, managerial experience and global mindset as well as the domestic market size. Also, the study of Torkkeli, Kuivalainen, Saarenketo, & Puumalainen (2016) shows that network competence has been proved to impact on the international success of Nordic SMEs. The importance of networks in the internationalization process of SMEs has been proved in other studies as well, e.g. Zain & Ng 2006. Ruzzier et al. (2006) state that the global integration of economic environments and globalization are drivers of SME internationalization. The exploitation of technology has been referred to as a key driver in several studies (Crick, 2009; Oviatt & McDougall, 1994; Ruzzier et al., 2006).

Wright, Westhead, and Ucbasaran (2007) have discussed several barriers for SME internationalization. These include for instance liabilities related to SME's newness, size or lack of experience, lack of resources, challenges with attitudes as well as operational and strategical barriers. Markets may be also dominated by larger organizations, which makes it difficult for the SMEs to enter the market. (Wright, Westhead, & Ucbasaran, 2007)

The relationship between SME internationalization and performance has been studied, for instance, McDougall and Oviatt (1996) studied the internationalization outcomes of new ventures and state that the increased profitability of new ventures is not only due to a higher or increasing amount of foreign sales. In addition, the internationalization needs to be a part of the overall strategy as by itself it doesn't improve the financial performance of new ventures (McDougall & Oviatt, 1996). According to Knight (2001) International entrepreneurial

orientation should be encouraged moderately as it can help in the development and activation of strategic competence. Strategic competence may help SMEs in for instance getting closer to its customers, better marketing activities, and distribution channel optimization. All in all, it may help in the resource-constraints SMEs usually face. (Knight, 2001) Lu & Beamish (2001) studied the internationalization strategies of Japanese SMEs and their performance taking into consideration the relationships to exporting, foreign direct investment (FDI), and alliances. Although an initial investment can be costly to an SME, an FDI can pay off in the long run. Thus, it can be seen as a better alternative than exporting. (Lu & Beamish, 2001) Kuivalainen, Saarenketo & Puumalainen (2012) have concentrated on the early phases of internationalization of knowledge-intensive SME's in Finland and found out that although an entrepreneur's or SME's strategy includes risk-taking, it is possible to increase its turnover abroad. Zahra, Ucbasaran & Newey (2009) discuss internationality as encouragement for innovation. Furthermore, certain entry modes, such as licensing and alliances, can provide an SME to more knowledge and learning opportunities. (Zahra, Ucbasaran, & Newey, 2009)

Zhou, Wu & Luo (2007) studied the adoption of social networks to help in more quick and profitable internationalization of Chinese SMEs. Schwens et al. (2018) study how knowledge intensity affects the relationship between internationalization and performance. They found out that the relationship of internationalization and performance was positive, and the benefit of international growth and innovation were greater for entrepreneurially oriented internationalizing firms. (Schwens et al., 2018) In addition to social networks and knowledge intensity offshore outsourcing of administrative and technical services has led SMEs to higher foreign sales and international expansion. It does not only lower costs and increase flexibility but also it can create advantages from networks and learning. Offshoring is usually seen as means to focus on core competencies (as SMEs usually have scarce resources), but the cost reduction seems to be also a major driver. (Di Gregorio, Musteen, & Thomas, 2008)

José Acedo & Florin (2006) highlight the impact of entrepreneur's cognitive characteristics, his risk perception and the available resources as influencers for SMEs international expansion. In addition, a proactive and internationally oriented entrepreneur is the driver for an internationally expanding SME innovativeness. (José Acedo & Florin, 2006) Entrepreneur's role of the previous experience and particularly his/her international experience has been found out to be also a driver of early internationalization (Zucchella, Palamara, & Denicolai, 2007). Crick &

Spence (2005) discuss the entrepreneurialism of managers in detecting and exploiting opportunities from serendipitous events and how the reaction to these events may lead to higher performance. In their study firms that internationalized straight after the startup phase or later had entrepreneurs or entrepreneurially oriented managers, who were able to detect and exploit international opportunities (Crick & Spence, 2005).

In addition to the stage theories, network theories, and international entrepreneurship theories used, SME internationalization has been described also with the resource-based view. According to Reuber & Fischer (1997) if the management teams of an SME are internationally experienced, the likelihood of internationalization is higher, as they tend to use more foreign strategic partners and receive sales faster from the initialization. The internationally experienced management teams are seen as a resource of the firm. Also, Westhead, Wright, and Ucbasaran (2001) base their findings on the resource-based view. They performed a longitudinal study on small and new firms in Great Britain and their findings show that some variables predicted a better size for the business and better performance than their competitors did in 1997. Also, it showed that the age of the founders, having more resources and information and wider networks lead more probably to exporting. (Westhead, Wright, & Ucbasaran, 2001)

In addition to the several countries mentioned, the internationalization of SMEs has been studied also in emerging markets (Deng & Zhang, 2018; Filatotchev, Liu, Buck, & Wright, 2009; Zhu, Hitt, & Tihanyi, 2006), transition economies (Shirokova & Tsukanova, 2013) as well as a comparing study of the internationalization of high technology small and medium enterprises (HTSMEs) in emerging and developed countries (Ciravegna, Lopez & Kundu, 2014). Although the internationalization of SMEs has been quite vastly studied in different parts of the world as well as with several different contexts, the research lacks studies on internationalizing SMEs and sustainability. According to a recent study of Colovic & Henneron (2018) developing CSR practices should be a part of an SME's internationalization strategy. The next subchapter will present the findings regarding sustainable international business.

2.2 Sustainability

Corporate social responsibility is a concept widely used to describe the sustainability of businesses. The definition of CSR by Davis (1973) refers to social obligations not mentioned

in the law. Also, McWilliams & Siegel (2001) base their analysis on CSR as going beyond the law. The European Commission (2011, 6) has redefined the concept of CSR (from their earlier one in 2001, which has been cited several times in the literature) as “the responsibility of enterprises for their impacts on society”. A prerequisite for the responsibility includes obeying the law, but to fully meet the responsibility social, environmental, ethical, human rights and consumers concerns should be taken into account in business operations and firm’s strategy in co-operation with stakeholders. (European Commission, 2011) Dyllick & Hockerts (2002) highlight the need of stakeholders in their definition of corporate sustainability. In addition, sustainability requires the management of three dimensions: economic, ecological and social capital in order to succeed in the long run. (Dyllick & Hockerts, 2002)

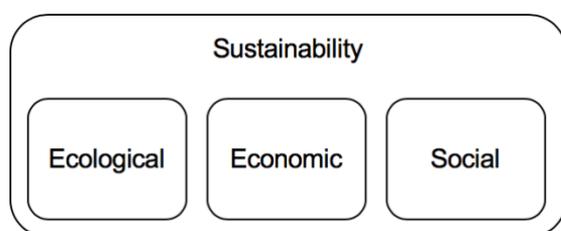


Figure 4 Three dimensions of sustainability management

Porter & Kramer (2006) discuss the need for a new approach for firms in integrating CSR more effectively into the core business operations and strategy. The commonly used justifications for sustainability include reputation, sustainability, license to operate and moral obligations. Social responsibility should be part of a long-term strategy as creating a firm’s future competitiveness. It should be seen as an opportunity, possibility for new innovations and as a competitive advantage rather than as a cost, constraint or charity. (Porter & Kramer, 2006)

Although, there are similarities in the definitions of CSR, according to Dahlsrud (2008) there is no consensus on the definition of the concept of CSR. He analyzed 37 definitions of the concept and concluded them to five dimensions: environmental, social, economic, stakeholder, and voluntariness. (Dahlsrud, 2008)

In the debate of CSR’s definition, Kolk (2016) states that going ‘beyond compliance’ doesn’t suit well for the international business context, as there might be no punishments, or the punishments differ in the laws and regulations of different countries. It is not seen as a standard.

On the other hand, MNEs face a growing pressure abroad to act on social, environmental and ethical problems in various locations, where they have operations. Regardless of the origin, regulations or the pressure, social responsibility should be looked from the perspective of the issue. (Kolk, 2016)

2.2.1 Sustainable international business

International business (IB) and business ethics (BE) are not much integrated in the literature, but it could benefit both disciplines (Doh, Husted, Matten, & Santoro, 2010). The combination of these two has risen interest during the past years in combining CSR and international business (Hah & Freeman, 2014; Kolk & van Tulder, 2010). Yet, the studies on the subject concentrate mostly on big MNEs (Jamali, D., 2010; Kolk & van Tulder, 2010; Topple, Donovan, Masli, & Borgert, 2017; Yang & Rivers, 2009). On one hand IB can harm the climate change with damaging practices, on the other hand it is able to reduce the global warming with the implementation of sustainable and environmentally friendly practices. Yet, the engagement of the businesses is dependent on the national and international regulations and thus the institutional context is an important factor influencing on the IB. (Roberts, J. & Dörrenbächer, 2016)

Climate change, or another global sustainability issue, might have an impact on MNEs in the form of inspiring them to develop sustainable firm-specific advantages (FSAs). FSAs may not only lead to environmental improvements but also benefit the MNE's profitability, growth and survival. The industries facing climate issues the most (e.g. oil and gas) can be seen as the ones taking advantage of the climate change as their competitive advantage. Firms specialized in goods and services, which help to mitigate the impacts of climate change, also perceive continuous FSA development important. For other types of firms, the business case is not seen clearly, and they might prefer acting sustainably through external markets. (Kolk & Pinkse, 2008)

Meyer (2004) discusses different perspectives of MNEs in emerging economies. One of the perspectives is business ethics, which is divided to the ones supporting a normative view and the ones supporting an instrumental view. In a normative moral standards and profits are not

dependent on each other, whereas the instrumental view is that firms should emphasize on getting better employees or aim for environmental standards, if it is profitable. (Meyer, 2004)

Husted & Allen (2006) have examined CSR value creation in the context of Mexican MNEs and their findings present that the key drivers for value creation seem to be related to centrality and visibility. Crilly, Schneider, Zollo (2008) studied 643 middle managers of five MNCs and their engagement to socially responsible behavior and found out that self-transcendence values and positive affect lead more likely to making a difference in the society, just like reasoning based on moral and reputation. Cognition explains better the propensity of avoiding to harm. (Crilly, Schneider, & Zollo, 2008)

van Tulder, van Wijk and Kolk (2009) have studied MNE's attempts to implement strategies on occupational health and safety towards their supply chains. The finding present that if stakeholders are involved in the design of corporate codes of conduct, it is more likely that they actually implement the code. European firms scored higher than US and Japanese firms in involving their stakeholders, which led to better implementation of safety and health issues in the supply chains. (van Tulder, van Wijk, & Kolk, 2009)

Yang & Rivers 2009 studied the factors, which impact the adoption of local CSR practices in order to gain legitimacy among multinational corporation's (MNC's) subsidiaries and argue that social and organizational level variables can lead to the adoption of CSR practices. If the institutional environment of the subsidiary differs from the host country and the stakeholders are demanding, it is more likely for the subsidiary to adapt local practices to legitimize itself. (Yang & Rivers, 2009) Likewise, Hah & Freeman (2014) have studied MNE's subsidiaries and present a framework for understanding the adoption of CSR strategies to build external legitimacy. Both studies have taken into consideration the institutional theory and stakeholder theory. Jamali (2010) studied also the CSR orientations of MNC subsidiaries in Lebanon and found patterns showing that a global CSR strategy is implemented into developing countries, but its nature suits better for the host market. The global directives seemed to be a source of inspiration for CSR for the managers instead of the networks of local stakeholders in the subsidiary's market. (Jamali, 2010)

Several theories have been used, when studying CSR. In the context of CER, the resource-based view and the institutional theory were the most used ones (Holtbrügge & Dögl, 2012). The resource-based view presents that a firm has potential to gain a sustainable competitive advantage if its resources are valuable, rare, imperfectly imitable and they cannot be replaceable with strategically identical resources that are valuable but not rare or imperfectly imitable. (Barney, 1991) Also Grant (1991) states that capabilities, consisting of resources, have the main impact on competitive advantage. The institutional theory presents that the likelihood that corporations will act responsibly is dependent of economic conditions, including the economic state of the corporation, the economy as a whole as well as the level of competition in the markets (Campbell, 2007).

The stakeholder theory has been used to explain the dimensionalities of CSR in the international context (Park & Ghauri, 2015; Waldman et al., 2006). “A stakeholder approach to business is about creating as much value as possible for stakeholders, without resorting to trade-offs (Freeman et al. 2010, 28).” The stakeholder approach was originally introduced by Freeman (1984) and the definition of stakeholders can vary depending on the firm. Commonly the stakeholders are viewed financiers, customers, suppliers, employees, and communities. (Freeman et al., 2010) According to Park & Ghauri (2015) MNE subsidiaries are able to position better in the markets within their networks, if the CSR practices they have implemented satisfy their stakeholders (Park & Ghauri, 2015).

Baumann-Pauly, Wickert, Spence & Scherer (2013) have compared the CSR implementation of MNEs and SMEs and their findings suggest that size doesn't indicate the advancement of the implementation of CSR practices, but it triggers a specific pattern. Usually SMEs are good in implementing organizational CSR-related practices in the heart of their business operations whereas MNCs usually show their commitment to CSR, but lack in the implementation. Nevertheless, the size of the firm does not conclude the approach used for implementation, but it indicates certain organizational characteristics, which may be beneficial for the implementation. (Baumann-Pauly et al., 2013) Also, Jamali, Zanhour and Kehishian (2009) have compared SMEs and MNCs in a Lebanese context and SMEs have demonstrated a strong commitment to CSR principles and practices. The managers of the SMEs were committed to these business practices and a religious viewpoint was commonly present in their interviews. The SMEs differed from MNCs because of their more formal structure, standards and

integration to the CSR practices. Although the CSR approaches differs, a conclusion cannot be made that MNCs would be more committed to CSR. (Jamali, Dima, Zanhour, & Keshishian, 2009)

Although the literature on CSR and internationalizing SMEs is scarce, there is at least one recent study about it. Colovic and Henneron (2018) studied the impact of CSR on SME internationalization as well as the impact of internationalization on CSR in the context of French SMEs in the food industry. Their findings show that SMEs are pressured by the internationalization to implement CSR practices as they need to respond to their stakeholder's expectations. The CSR practices have an impact on the scope and speed of internationalization as it is dependent on which markets the SMEs are able to enter and when. (Colovic & Henneron, 2018)

2.2.2 Terminology

Dealing with the concept of CSR among SMEs is challenging, not only due to its lack of unambiguous definition (Dahlsrud, 2008) but also due to the name of the concept (corporate social responsibility) and its association, which refers more to large corporations (Jenkins, 2006; Roberts, S., Lawson, & Nicholls, 2006). Jenkins (2004) argues that the CSR discussion in the context of SMEs is based on assumptions of SMEs behavior and typically framed based on large corporations, and thus questionable. Castka, Balzarova, Bamber & Sharp (2004) state that the term corporate is commonly related to MNCs and human rights issues, and thus can be misleading. According to the research of Sweeney (2007) small firms disliked the corporate element of the term as they felt it referred to a certain size. Also, according to Roberts et al. (2006) the use of terms CSR and CR can be unpleasant for SMEs. Jamali et al. (2009) also discuss the incompatibility of the language, when talking about CSR. They conclude that the concept of CSR is problematic due to the focus on large enterprises. (Jamali et al., 2009) Ortiz-Avram et al. (2018) argue that SMEs practice CSR, but do not call it CSR. According to the small firms interviewed by Sweeney (2007), CSR means operating in a responsible manner and especially supporting the local communities.

A wide spectrum of terms has been used for describing the CSR actions of SMEs (Ortiz-Avram et al., 2018). Table 1 presents some of the terms suggested alternatives as well as concepts used

for describing the responsible business practices of SME, as an example the term business social responsibility has been used for instance by Besser & Miller (2001), as it was found more appealing for the context of SMEs.

Table 1 Suggested and used terminology for responsible business practices in SMEs

Term	Author
Business social responsibility	Besser & Miller 2001
CSR practices	Martínez-Martínez, Herrera Madueño, Larrán Jorge, Lechuga Sancho 2017
Responsible behavior	Fuller & Tian 2006
Responsible business behavior (RBB)	Avram & Kühne 2008
Responsible business practices	Fassin 2008
Responsible business practices	Moore & Spence 2006
Responsible competitiveness	Murillo & Lozano 2006
Small business social responsibility	Lepoutre & Heene 2006
Socially responsible behavior	Perrini 2006
Socially responsible behaviour/management practices	Hammann, Habisch, Pechlaner 2009
Social responsiveness/involvement; CSR practices	Jamali et al. 2009

Fassin, Rossem & Buelens (2011) studied the perceptions of small-business owner-managers about business ethics and CSR-related concepts and found out that the amount of confusion in the concepts isn't as much as the academic literature presents. The owner-managers of small businesses are able to distinguish the several concepts related to corporate responsibility and business ethics. They also are aware of the interrelationships and interdependencies of the concepts, e.g. mutuality between shareholder value and CSR. Corporate responsibility, corporate governance and business ethics were seen as different but complementary concepts. (Fassin, Rossem, & Buelens, 2011)

Jenkins (2006) studied the perceptions of UK SMEs on CSR. They felt the concept was difficult but defined it as the impacts of their business and a willingness to have a positive impact on

different stakeholders through their business decisions. Employees, customers, suppliers, shareholders, the community and the environment were meant by the term stakeholder, although not all used the term in question. Seventeen of the SMEs did not feel comfortable using the term CSR. The CSR of SMEs should concentrate more on the practicalities of the internal elements of CSR rather than policies, procedures and external elements. (Jenkins, 2006)

CSR-concept isn't seen as the best alternative when talking about the embedding of social and environmental practices to an SME's strategy. Avram & Kühne (2008) argue for the term "responsible business behavior" (RBB) as an alternative as its better in describing a holistic and stakeholder-oriented approach for all companies regardless of their size or sector. They use the term as a way to describe the development of a social and environmental practices in a value chain, which develops a sustained competitive advantage. (Avram & Kühne, 2008) Also, Russo & Perrini (2010) argue that the responsible corporate strategies should be examined separately from large firms.

Murillo & Lozano (2006) found the term CSR also problematic in their study of Catalan SMEs and state that it should be replaced with a concept, which would be closer to the reality of SMEs. They argue for the use of responsible competitiveness for the SMEs, who are already active, and for those, who wish to develop their competitiveness and combining interests towards social issues. (Murillo & Lozano, 2006)

The word "responsibility" in CSR might be misleading. If a business doesn't use the term corporate responsibility, it doesn't automatically mean that it is not responsible. If a more suitable terminology is used for SMEs, it is easier for them to adopt responsibility to their agenda. Support and advice provided to SMEs doesn't take this into consideration, and SMEs might perceive it annoying. (Roberts et al., 2006) Furthermore, the words "corporate" and "social" are not seen as appropriate to SME context, and the emphasis should rather be on "business" and "practice". Thus, the term "responsible business practice" would be a more suitable one, yet not argued as a best term. (Southwell 2004 cited in Moore & Spence 2006) This term will be also used in this study.

2.2.3 Sustainability in SMEs

The importance of SMEs is important for the economy both in developed and developing countries. They are mostly recognized due to their entrepreneurial characteristics rather than their involvement in to social, economic and political issues. (Spence, Laura J., 2007) In addition, they are major organizational form in the OECD countries (Spence, Laura & Rutherford, 2003) Thus, more attention is needed to understand the sustainability of SMEs (Fernández & Camacho, 2016; Spence, Martine, Ben Boubaker Gherib, & Ondoua Biwolé, 2011), as the challenges they face differ from those of large MNEs (Perrini, 2006). Studying the sustainability in SMEs has been argued the need of its own interpretation (Jenkins 2004; Spence 2007). Thus, the assumptions from the studies of large firms should be set aside, when studying the ethics of small businesses (Spence & Rutherford, 2003; Spence, 1999).

Smaller firms engaging in socially responsible actions face more difficulties than larger firms (Lepoutre & Heene, 2006). Moreover, the usual CSR theory is more applicable on large companies as they are seen as the norm (Jenkins, 2004). Holliday (1995, cited in Spence 2007) highlights that the size is not the only difference in the nature of the firm. Russo & Perrini (2010, 217) describe SMEs as “independent internally financed and cash-limited, multitasking and flexible, largely local, and based on informal relationships inside and outside the firm” and large firms as “externally financed, diversified, with a rigid organizational structure made up of formalized processes and transactions inside and outside the firm, and generally oriented toward internationalization”. The differences may rise also from cultural differences, strategic directions, geographic location or by the characteristics of the owner-manager. Also, in addition to the flexibility and responsiveness of SMEs, they are often also better at internal communication than large firms and thus easily implement responsible business practices as there is less bureaucracy. (Jenkins, 2004)

The psychological characteristics of the entrepreneur or owner-manager impact the behavior of an SME. Most managers of SMEs are interested in performing CSR activities if they see a business case for it, other believe it's good although it would lead to a trade-off situation. Others are content with intangible benefits while others need a proof of a financial advantage. (Jenkins, 2004). The owner of the SME is usually behind the CSR decisions of the firm, and his/her

motivation is driven by his/her values and beliefs. Adopting CSR in the Swedish SME context is a way of protecting, maintaining and growing their business. (Lee et al., 2016)

Due to the difference natures of the firms, their responsible corporate strategies should be treated separately (Russo & Perrini, 2010). In SMEs the CSR might be perceived more locally and in smaller scale, in some cases SMEs might perform CSR actions without acknowledging it (Jenkins, 2004; Lee et al., 2016). These responsible actions are often called “silent CSR” (Jenkins, 2004), “sunken CSR” (Perrini, 2006) or “implicit CSR” (Hsu & Cheng, 2012). The likelihood of acting in a socially responsible way is low, if the issue is not recognized. This may be due to characteristics or cognitive capabilities. However, owner-managers are more likely to recognize and contribute to acting in a socially responsible way, if they are able to use their potential in engaging in networks as well as delegating responsibilities. (Lepoutre & Heene, 2006) The CSR actions taken are not taken through formal strategic processes and might not bring any visibility for the SME (Hsu & Cheng, 2012; Perrini, 2006) , as SMEs might not have enough resources, e.g. a marketing department, or the management lacks skills (Lee et al., 2016). Thus, it is more natural to fit the actions in the everyday business (Lee et al., 2016; Murillo & Lozano, 2006). Nevertheless, if SMEs are able to integrate socially responsible practices to their strategic management, concentrate on win-win situations and increase their visibility, they might be able to tackle challenges with financial resources or lack of power. (Lepoutre & Heene, 2006)

A sustainable strategy should be implemented by the managers and owner-managers. This means the identification of key stakeholders and then considering the returns in the long run with those stakeholder networks. Aspects of social capital, networks, innovating, trust and legitimacy, should drive an SME towards a sustainable strategy. The management of stakeholder relations might give the possibility to benefit from their social capital and thus impact positively on the triple bottom line. (Russo & Perrini, 2010) In addition, Spence & Lozano (2000) state that the ethical elements belong to business life, as the relationships with different stakeholders may be very personal and emotional and thus have an impact on the activities of the firm. An SME can have a process in order to evaluate the market situation and then takes into consideration stakeholders’ expectations and by doing so balances their responsible business practices that are relevant for the business and possible within the limits of the SME’s profitability (Castka, Balzarova, Bamber, & Sharp, 2004).

Responsible business behavior is about taking strategic and operational decisions today, which are good for the firm in the long run. Understanding that doing good will result beneficial for the environment and the society in the long run is a key point. In addition, there is a need to understand that SMEs cannot be held responsible and solve all of the world's problems. The framework of responsible business behavior (by Avram & Kühne 2008) presents a way for an SME to implement responsible practices strategically and efficiently taking into consideration the market and resource-based views. (Avram & Kühne, 2008)

According to Fassin (2008) if SMEs do not report their responsible behavior with such certificates as larger companies, e.g. ISO certificates, they are still able to implement responsible business practices successfully without marketing about it. Although reporting brings transparency and accountability, the drivers for implementing responsible business practices are in the corporate culture and right attitudes rather than formal reports and certificates. (Fassin, 2008)

Perrini (2006) suggests that the relationship between SMEs and CSR should rely on the concept of social capital, not the stakeholder theory, which MNEs and CSR is usually based on. Yet, the combination of these theories fits as well. SMEs can have stronger relationships to several stakeholders than MNEs, but it doesn't leave out the fact that social capital wouldn't be beneficial for MNEs (Perrini, 2006; Russo & Perrini, 2010). These are seen as a part of the social capital as well as some intangible assets (e.g. trust, legitimacy, networks), which may be more attractive for SMEs than MNEs. CSR should not be just the "right thing to do" but an important strategic approach in order to improve SME's social, environmental and economic performance. (Perrini, 2006)

Nielsen & Thomsen (2009) studied the attitudes and beliefs of CSR communication of middle managers in Danish SMEs and found out that an organization of CSR is able to strengthen the SME's CSR profile. If marketing or PR would be closely related to the personnel and general managements, the communication with employees and external markets could benefit of having employees as ambassadors in the local community as well as to get more visibility in the direct markets and PR. (Nielsen & Thomsen, 2009)

The drivers and barriers for engaging in CSR have been studied among the context of SMEs. Compatibility (top manager's ethics, organizational culture, firm's images) is a significant factor for Taiwanese SMEs to engage in CSR and the perceived complexity of CSR (including costs and time as well as lack of guidance) is a factor pushing away from CSR. (Hsu & Cheng, 2012) A mixture of personal and religious motivations had inspired Lebanese SMEs to their distinctive CSR orientations. The challenges these SMEs faced in CSR were regarding integration and institutionalization of the processes as well as finding a business case for CSR. (Jamali et al., 2009) Some factors may be perceived both a driver and a barrier, for instance customers demanding for ethical action/products/services (driver), but when acting conversely, it may be perceived as a barrier (Fernández & Camacho, 2016).

Parker, Redmond & Simpson (2009) discuss environmental issues and the challenge created from them to SMEs. Due to resource, knowledge and technical capability constraints, SMEs have problems compensating their own negative environmental impact. There is a lot of pressure to engage in environmental practices. Interventions vary from regulations and legislations to voluntariness, yet a combination of interventions would lead to the best results regarding engagement and environmental improvement. The interventions should be targeted towards specific categories of SMEs. (Parker, Redmond, & Simpson, 2009) Battisti & Perry (2011) have studied the connections between the understanding of and commitment to environmental sustainability in SMEs. The practices that the small-business owners target at align with their understanding of environmental responsibility. This may be due to the fact that environmental actions, for instance recycling, is more common. Contrary to previous research, the finding present that SMEs do not only respond to environmental issues if it's pushed by regulations, it only applies in one type of small-business owners. (Battisti & Perry, 2011)

The stakeholder perspective has been used in many studies concentrating on the sustainability of SMEs. Hoogendoorn, Guerra & Zwan (2015) studied drivers leading to different types of environmental practices with a stakeholder perspective. Yet, they were not able to draw any general conclusions with the stakeholders other than their influence varies on different types of environmental practices. (Hoogendoorn, Guerra, & Zwan, 2015) Fuller & Tian (2006) argue that the socially responsible behavior of SMEs is mainly shaped by the reputation of the firm and the connections to its stakeholders. Stakeholders, including employees, customers, suppliers and the local community, are important influencers on the socially responsible

behavior, because the relationships and responsibilities are more direct and personal than with bigger corporations. This aligns with Freeman's (1984) stakeholder theory other than the fact that moral obligations aren't explicitly demonstrated. (Fuller & Tian, 2006) Perrini & Tencati (2006) presented a SERS, a sustainability evaluation and reporting system, which is based on stakeholders. The aim is to help SMEs in strategic and management decisions in the field of sustainability accounting. The main idea of the SERS is to help SMEs understand the requirements their stakeholders might have as well as to evaluate their own performance. (Perrini & Tencati, 2006)

2.2.4 Business case for SMEs

The relationship between corporate social performance (CSP) and corporate financial performance (CFP) has been widely studied with contradicting results. For instance, Waddock & Graves (1997), Margolis & Walsh (2003), Orlitzky et al. (2003), and Beurden & Gössling (2008) have found positive relationship between CSP and CFP. Some have presented negative findings, e.g. Griffin & Mahon (1997), and McWilliams & Siegel (2000) found a neutral relationship. The majority of the results seem to be positive. Yet, in these results the context of SMEs seems to be underrepresented.

SMEs' owner-managers might see barriers in getting the business case of implementing responsible business practices. Although entrepreneurship is not seen as a guarantee for responsible behavior, the small business owner-managers, who are aiming at responsible behavior are able to have positive effects from the entrepreneurial features. It may help them to find new opportunities and engage their stakeholders. (Lepoutre & Heene, 2006) And these in turn, may have positive impact on the financial performance of SMEs.

Longo et al. (2005) studied Italian SMEs and found out that in addition to moral and ethical reasons for the implementation of socially responsible behavior, the possible growth is seen as a driver. This can happen thanks to improved reputation of the firm, the loyalty of customers and improved relationships both with the employees and the local community. (Longo, Mura, & Bonoli, 2005) A case study of an Italian SME presents that the chosen competitive strategy of a company has an effect on the impact and intensity of CSP and CFP. The owner's personal values and beliefs have been driving the behavior of SABAF and the target markets are willing

to pay more. This strategy enables to develop more responsible processes and products. (Perrini & Minoja, 2008)

The study of Jenkins (2006) reveals that a lack of knowledge might lead to not having a business case from CSR in SMEs. Thus, more research is needed in order to prove the benefits. One key element for an SME to engage in CSR is to educate about the benefits of CSR and help to highlight the characteristics to support in the success. (Jenkins, 2006) The findings of Lee et al. (2016) present that a link between CSR actions and business performance is missing, and actually the performance of CSR impacts negatively on the business performance. Whereas the findings of Murillo & Lozano (2006) present links of SME's responsible business practices and improved competitiveness and economic results. Additionally, the SMEs in the study had a certain specialization in an area of CSR (e.g. focus on employee's benefits), which seems to lead to the development of also other CSR practices. (Murillo & Lozano, 2006)

Torugsa, O'Donohue & Hecker (2012) studied the link between SME's capabilities, proactive CSR and performance in the Australian manufacturing sector and found out that proactive CSR is associated with better financial performance. The findings of the study align with the RBV theory, as firm's capabilities are used effectively, which is important for the financial success. (Torugsa, O'Donohue, & Hecker, 2012) In the context of developing countries a longitudinal study of Zambian SMEs presents also a positive relationship between CSR and firm performance (Choongo, 2017). A long-term orientation in new ventures increases the value of benefits from CSR on financial performance of the new venture. With this orientation, firms are able to for instance develop responsible products and build stronger relationships with stakeholder, which helps them to achieve economic returns through CSR. (Wang & Bansal, 2012)

Martínez-Martínez et al. (2017) have studied the impact of CSR practices on SME's performance in Spain. They have based their study on the stakeholder theory. The results show that the competitive performance of SMEs increased as socially responsible practices were implemented. The benefits from socially responsible behavior is dependent on the recognition from stakeholders. In addition, innovative capacity may be enhanced and the relationships to stakeholder groups can be enhanced by the managers, and it will also impact the competitive performance. Thus, the owner-managers of SMEs should be careful in taking care of the

relationships to their stakeholders. (Martínez-Martínez, Herrera Madueño, Larrán Jorge, & Lechuga Sancho, 2017) All the previously mentioned results lead to the first hypothesis:

Hypothesis 1. (H1) Responsible business practices are positively associated with financial performance of internationalizing SMEs.

A meta-analysis of literature on corporate environmental performance (CEP) and corporate financial performance (CFP) demonstrates a positive link between CEP and CFP. This aligns with the research of Orlitzky et al. (2003). Regardless of whether being proactive or reactive on environmental initiatives, the financial returns are positive in either case. The analysis also presents that small firms are more likely to benefit from environmental performance than large firms. (Dixon-Fowler, 2013)

Revell & Blackburn (2007) have analyzed the perceptions of owner-managers of SMEs in UK on having a business case for sustainability. These owner-managers were not convinced of getting a business case by implementing environmental practices, as they didn't believe that customers could be impressed, or costs could be reduced by doing so. Although in some cases the business benefits were recognized, the potential savings would not be enough to guarantee the time, effort and resources needed for it. (Revell & Blackburn, 2007) Also, according to the study of Stoian & Gilman (2017) of 211 UK-based SMEs, the CSR activities related to environment despite the competitive strategy used, doesn't contribute to firm growth. (Stoian & Gilman, 2017)

Some studies do not show any relationship of environmental practices and firm performance, others do, for instance Bianchi & Noci (1998) predicted that in the future the environmental aspect of CSR will impact SME's competitiveness and profitability. The study of Aragón-Correa, Hurtado-Torres, Sharma & García-Morales (2008) aligns with the studies based on large corporations. Their study of 108 SMEs in Spain shows that the proactive environmental practices and firm performance have a positive relationship. (Aragón-Correa, Hurtado-Torres, Sharma, & García-Morales, 2008) Furthermore, according to a study of small business responsibility in developing countries the improvement in environmental and social bottom line lead to improvements also in the financial bottom line. This is due to cost reductions, increased

value and quality of the product and a reduction in the product rejection rates. (Luken & Stares, 2005)

Although the few studies of SMEs present findings that contributing to RBPs on environmental issues don't lead to financial outcomes or growth, the majority of studies present contradicting results, and thus it leads to the first sub-hypothesis:

Hypothesis 1a. (H1a) Responsible business practices related to the environment are positively associated with financial performance of internationalizing SMEs.

According to the study of Nielsen & Thomsen (2009) the managers of Danish SMEs perceived that social responsibility is about other people, treating others well inside the company, and being a socially responsible workplace seemed important for them. The co-operation between SMEs and the local community should be connected to a socially responsible workplace, as it could integrate people, who have lost touch with the labor market but also reduce the number of sickness leaves. Furthermore, CSR is seen as a long-term investment, which can be used to attract the right employees and retain them. Retaining employees is seen as less expensive than recruiting new ones. (Nielsen & Thomsen, 2009)

SMEs implementing a differentiation strategy and CSR activities related to employees will more probably grow than collapse. If an SME invests in employees, it will give a better image of the firm as a good employer. This image attracts employees with better skills and impacts on the loyalty of the employees. These kinds of employees are a key for innovation and differentiation in the markets, thus an opportunity for higher prices and revenues. (Stoian & Gilman, 2017)

Hammann, Habisch & Pechlaner (2009) studied the impact of German SME entrepreneur's and owner-manager's personal values in management practices on value creation. The most important stakeholders of SMEs were employees, customers and society, employees being the most important one. The value orientation towards employees was seen as a positive economic value, as it had impact on the levels of absence as well as on the satisfaction and motivation levels of employees. (Hammann, Habisch, & Pechlaner, 2009) These findings lead to the second sub-hypothesis:

Hypothesis 1b. (H1b) Responsible business practices related to employees are positively associated with financial performance of internationalizing SMEs.

If a firm is successful, it can be more likely to implement RBPs on local community. On the other hand, the firms receiving community support and having a high level in their leadership, feel successful in their business. Whether it's one way or the other, the attention given to the local community is not harmful for the business. (Besser & Miller, 2001)

Stoian & Gilman (2017) argue that if an SME implements CSR activities that are related to local community, it contributes to faster firm growth. This is the case especially if an SME pursues a cost leadership strategy. (Stoian & Gilman, 2017) According to Hammann et al. (2009) if an SME implements socially responsible management practices towards the society, it enhances the firm's image and thus can lead to an increase in economic value. These findings lead to the third sub-hypothesis:

Hypothesis 1c. (H1c) Responsible business practices related to local community are positively associated with financial performance of internationalizing SMEs.

The managers of Italian SMEs perceived that the value created for customers enhances firm's competitiveness. The value-adding activities are aimed at improving the overall quality and reliability of the product with the help of an ethical production process. These SMEs pay attention to an explicit orientation to value creation, customer care, and developing products, which are good for the customers as well as the whole society. (Tantalo, Caroli, & Vanevenhoven, 2012)

Servaes & Tamayo (2013) have studied CSR's impact on firm value and the role of customer awareness. Their findings present that if the customer awareness is high, the relationship of CSR and firm value is positive. But this applies only, if the CSR activities are aligned with the firm's reputation. (Servaes & Tamayo, 2013)

Increased customer satisfaction, customers' willingness to give feedback and customers not paying that much attention to the prices can be a result of implementing socially responsible

management practices towards the customers. These outcomes have a positive economic impact on the SME. (Hammann et al., 2009) Iturrioz et al. (2009) also state that social responsibility may be a source for creating value for the business. Social responsibility needs to be part of firm's strategy and the stakeholders that impact on the company's survival need to be taken into consideration. The most important social responsibility dimensions that impact the value of the business are the "value-chain" dimension (including the customers) and the "internal community" dimension. (Iturrioz, Aragón, Narbaiza, & Ibañez, 2009)

Also, the analysis of Martínez-Martínez et al. (2017) shows that CSR practices towards employees and customers creates a competitive advantage (Martínez-Martínez et al., 2017). These results lead to the last sub-hypothesis:

Hypothesis 1d. (H1d) Responsible business practices related to customers are positively associated with financial performance of internationalizing SMEs.

Murillo & Lozano (2006) state that one reason for implementing CSR practices to SMEs is looking for competitive differentiation. There are external drivers pushing SME managers towards CSR, which allows them to improve their competitive position. (Murillo & Lozano, 2006) Although SMEs might have resource constraints, some characteristics may support to overcome them to gain competitive advantage. These characteristics may be for instance a simpler organizational structure and the possibility of being closer with different stakeholders, flexibility, and innovativeness. (Torugsa et al., 2012)

A case study of a UK based SME has proven that SMEs are able to benefit from CSR and enhance their business as well as develop a competitive advantage. Business system frameworks (e.g. ISO 9001:2000) could be used as a means to integrate CSR to daily operations of a business. (Castka et al., 2004)

Saeidi et al. (2015) studied the mediating roles of reputation, competitive advantage, and customer satisfaction between the relationship of CSR and firm performance. The findings suggest that if a firm engages in CSR, customer satisfaction increases and thus leads to better reputation and competitive advantage. The role of CSR can be seen as a strategy creating intangible assets and with these assets it can gain sustainable competitive advantage, which can

lead to higher level of financial benefits. (Saeidi, Sofian, Saeidi, Saeidi, & Saaeidi, 2015) Trust and social capital used among socially responsible practices towards employees can convince employees to stay in a firm. The fact that good employees do not leave the firm is beneficial, as the employees, their skills and competencies are seen as a competitive advantage for the firm. (Perrini & Minoja, 2008)

The RBB framework presents that doing good for the environment and society will impact on the firm’s long-term success. It may be the source of competitive advantage, which is vulnerable for the strategic and operational decisions that are made today. (Avram & Kühne, 2008)

The study of Fuller & Tian (2006) suggests that if stakeholder perceive that they are treated responsibly, the SME may take advantage of this and gain more power with the help of social and symbolic capital. This way, the SME is also able to increase the responsible actions towards its stakeholders. (Fuller & Tian, 2006) This may be a beneficial competitive advantage for the SME. The findings of these studies lead to the second hypothesis:

Hypothesis 2. (H2) The more an internationalized SME engages in responsible business practices, the better the perceived competitive advantage of the firm.

Below a revised theoretical framework of the study with the hypotheses. (Figure 5)

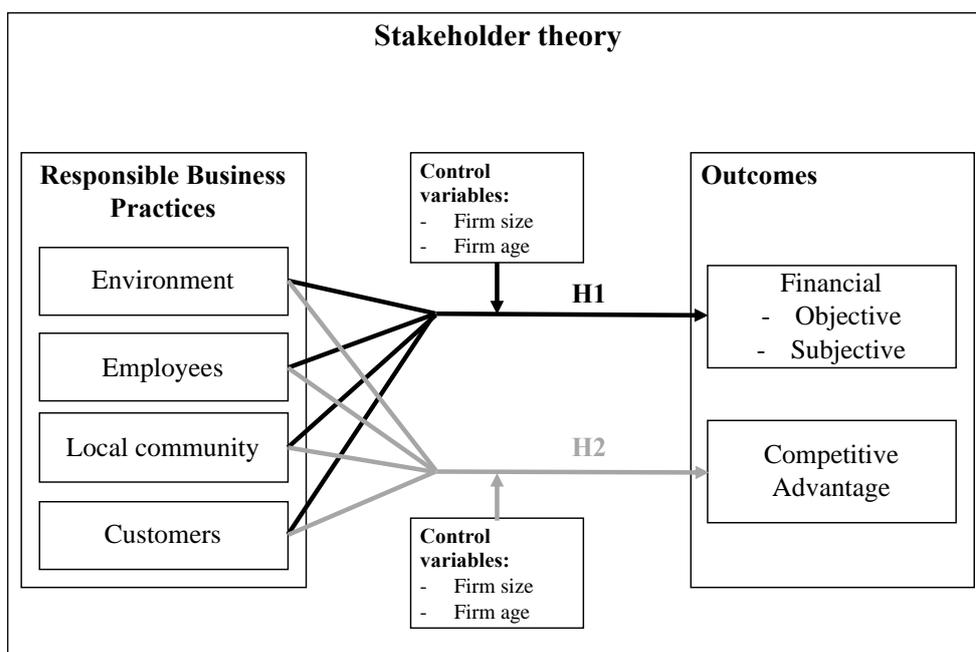


Figure 5 Revised theoretical framework of the study

3 RESEARCH DESIGN AND METHODS

This chapter presents the research context, the data collection and its analysis. Also, the measures and their development are presented, and last the reliability and validity of the measures are covered.

3.1 Research context

This research has been done with a quantitative research method. A sample of 210 internationally operating small- and medium-sized enterprises (SMEs) from Finland was collected by an online survey between November 2017 and February 2018. In this study, SMEs are defined according to the definition of the European Commission (2003), thus the companies in the data represent companies employing less than 250 people, a turnover under 50 million or under 43 million euros of the balance sheet's total. Finland was chosen as the empirical context of the study as the domestic market is small and SMEs need to often face the situation of seeking international growth (Nummela, Saarenketo, Jokela, & Loane, 2014). Also, Finland fits well for studying SMEs business responsibility (Lähdesmäki & Suutari, 2012).

3.2 Data collection methods

The empirical data was collected in two phases with the first phase being an initial sample of 1000 companies (delimited specifically to SMEs) drawn from Bisnode Selector database. These companies were exporting companies that have been founded in Finland and provide a cross-sectional sample. The sample from Bisnode Selector database was then complemented with a sample drawn from the Amadeus online database including only SMEs in the engineering and software industries. Micro-enterprises (having 1-10 employees) and non-independent SME-sized organizations were left out of the sample and special attention was paid to having SMEs with international operations.

Four research assistants of LUT with a background from business studies contacted the sample companies via phone in order to make sure that the companies and the potential respondents are suitable in regard to the criteria of the study. A link to an online questionnaire in the Qualtrics service was sent to companies, who were reached, fit the criteria and agreed to

participate. Companies, who agreed to participate, but hadn't responded to the questionnaire, were contacted by e-mail reminders on a bi-weekly basis. Altogether 2029 companies were contacted in order to get responses to the questionnaire. To assure the linguistic accuracy of the questionnaire, a professional language editing service was used to translate it from English to Finnish and then back-translate. A pilot questionnaire was used to make sure that the items on the questionnaire were understandable by the potential respondents. In order to mitigate any biases on early and late respondents as well as for respondents having different managerial titles, T-tests were conducted using the key variables in the sample of this study.

From the total number, 1821, of companies reached, 1387 were valid and of those 1032 agreed to participate in the study. Altogether 365 responses were given, which accounts for a response rate of 26 percent. The response rate is sufficient for an empirical entrepreneurship study (Rutherford, O'boyle, Miao, Goering, & Coombs, 2017), as this study can be seen as a typical one in the field (Newby, Watson, & Woodliff, 2003).

3.3 Data analysis and methods

Stata software was used for the coding and inputs of the data. Factor analyses are conducted for getting multi-item measures. To reduce a large number of variables into a smaller number of factors (multi-item measures), factor analyses were conducted. The extraction method used is the principal-component factor method with a minimum eigenvalue of one, as with that value the factors are considered significant (Hair, 1998). Rotated loadings were used to organize the variables to respective factors. The rotation method, which was used is the orthogonal rotation varimax. Factors were named according to the variables, which they represent. Kaiser-Meyer-Olkin measure (KMO) of sampling adequacy was used to check whether each variable correlate sufficiently with the other variables in the same factor. The values are considered meritorious if above 0.7, mediocre if 0.6 or above and miserable if below 0.5 (Hair, 1998).

Cronbach's coefficient Alpha was used to test the reliability of the measures. The measure ranges from 0 to 1, and values above 0.6 can be seen as acceptable (Hair, 1998) . The resulting factors from the analysis will be used to test the hypotheses. The next subchapter describes the formation of different measures used in this study. The multicollinearity of the models was checked with the test for the variance inflation factor (VIF) and tolerance, the inverse of VIF.

The VIF value ranges from one to ten and a common minimum for the tolerance is 0.1 corresponding to a VIF value of 10 (Hair, 1998).

3.4 Measure development

The measures used are formed based on financial information and categories of the questionnaire. The study is based on certain questions of a part of a larger survey. The questions used in this study root from academic literature (e.g. Martínez-Martínez et al. 2017) and are presented in Appendix 1. The control variables used are based on the Background Information questions in the beginning of the survey (Appendix 1). For the measures of responsible business practices, a seven-point Likert scale (1='strongly disagree' to 7='strongly agree') was used. Likert scales have been used as the survey method in previous research on SMEs (e.g. Baden et al. 2009; Martínez-Martínez et al. 2017). The common method bias was mitigated according to previously mentioned best practices coming from the academic literature and for instance negatively worded items were used in the questionnaire (Chang, Van Witteloostuijn, & Eden, 2010). Although the questions used for this study didn't include negatively worded questions, the information used in this study is collected from different sources, as suggested by Chang et al. (2010). Furthermore, the use of subjective and objective measure is also a form of mitigating the bias.

3.4.1 Control variables

Two new variables were created, firm age and firm size (by employees), which will be used as the control variables. The firm age was counted by subtracting the foundation year from the current year and firm size was counted by summing the number of employees in Finland and the number of employees abroad. These variables were created due to the fact that larger and older firms may be more capable in implementing RBPs (Wickert, Scherer, & Spence, 2016). There are also many studies, which state that the size of the firm can have an impact on the relationship between CSR and business performance (Beurden & Gössling, 2008). This has been also demonstrated in a study consisting of only SMEs (Sweeney, 2007).

3.4.2 Responsible Business Practices

The environmental practices measure consists of nine items, which are loaded on two factors. The eigenvalues, the rotated factor loadings and the KMO can be seen in Table 2. Together the two factors explain 63.7% of variation. The first factor (Factor 1) includes practices targeted for long-term commitment, EnvironmentalPracticesL, consisting of the items EnvironmentalPractices4, EnvironmentalPractices6, EnvironmentalPractices7, EnvironmentalPractices8, EnvironmentalPractices9 and the second factor (Factor 2) includes operational environmental practices, EnvironmentalPracticesO, consisting of the items EnvironmentalPractices1, EnvironmentalPractices2, EnvironmentalPractices3, and EnvironmentalPractices5. The communality values exceed 0.50, which indicates that the items have much in common with the other items. The KMO values range between 0.777 and 0.901, which indicates that the items correlate enough, thus it is meaningful to combine them in factors. The Cronbach alpha values of both Factors exceed the recommended 0.6.

Table 2 Environmental related RBP's

Indicate your level of agreement with the following statements about environmental practices (1=completely disagree, 7= completely agree) My company:					
Item	Item description	Rotated factor loadings		Communality	Kaiser's measure of sampling
		Factor 1	Factor 2		
EnvironmentalPractices1	minimises the environmental impact of its activities		0.784	0.646	0.825
EnvironmentalPractices2	designs products and packaging that can be reused, repaired or recycled		0.819	0.718	0.777
EnvironmentalPractices3	voluntarily exceeds legal environmental regulations		0.745	0.588	0.825
EnvironmentalPractices4	regularly conducts environmental audits	0.732		0.606	0.901
EnvironmentalPractices5	reuses and recycles materials		0.706	0.577	0.812
EnvironmentalPractices6	adopts measures for ecological design in products/services	0.736		0.597	0.854
EnvironmentalPractices7	implements programs to use alternative energy	0.850		0.757	0.840
EnvironmentalPractices8	implements programs to reduce water consumption	0.844		0.734	0.878
EnvironmentalPractices9	makes investments to save energy	0.677		0.514	0.887
	Eigenvalue		1.381		
	Cum.%	0.484	0.637		
	Cronbach α	0.857	0.801		

The following measures are loaded on one factor: six employee-related items (EmployeeEngagement), five items related to local community (LocalCommunityEngagement) and four items related to customers (CustomerEngagement). Their rotated factor loadings, communality values, KMO values, eigenvalues, the cumulative amount, which explains the amount of variation and the Cronbach alpha values are presented in tables 10 – 12 in the Appendix 2.

3.4.3 Firm performance

Griffin & Mahon (1997) have listed the different types of financial measures used in 51 studies and conclude them to five groups: profitability, asset utilization, growth, liquidity, risk/market measures, and others. The measures used in this study belong to the group of profitability (Operating revenue, P/L for the period (net income), and EBITDA). In this study the firm performance measures are divided into two categories financial performance and non-financial performance.

The financial measures consist of six items Profit margin (Profitmargin2018), Return on assets (ROA) using net income (ROAusingNetincome2018), EBITDA margin (EBITDAMargin2018), Operating revenue (OperatingrevenueTurnoverth), P/L for the period (PLforperiodNetIncometh), and EBITDA (EBITDAthEUR2018). As the profit margin (Profitmargin2018) was a string variable, it was converted to a numeric variable (Profitmargin2018_n) in order to compare the variable with the other numeric variables. The items are measured in different units as the profit margin, return on assets using income and EBITDA margin are percentages and the operating revenue, P/L for the period and EBITDA are measured in thousands of euros. Before conducting the factor analysis, the original values of variables are standardized. These standardized items can be recognized from the z_ in front of each item.

The correlations of all the financial indicators of the year 2018 were checked with a rank-order-correlation method the Spearman's correlation coefficient, and the operating revenue (turnover) didn't correlate much with the other variables, except the EBITDAthEUR2018 and PLforperiodNetIncometh with a 5% significance level. The results of the Spearman correlation coefficients and the number of observations are presented in Table 3. Based on the correlations, the variables could be divided into groups by conducting the factor analyses.

Table 3 The Spearman's correlation coefficient of financial variables

	z_OperatingrevenueTurnoverth	z_PLforperiodNetIncometh	z_Profitmargin2018_n	z_ROAusingNetincome2018	z_EBITDAMargin2018	z_EBITDAthEUR2018
z_OperatingrevenueTurnoverth	1 171					
z_PLforperiodNetIncometh	0.4467* 171	1 171				
z_Profitmargin2018_n	0.062 171	0.7760* 171	1 171			
z_ROAusingNetincome2018	0.0592 171	0.7998* 171	0.9022* 171	1 171		
z_EBITDAMargin2018	0.0359 171	0.7063* 171	0.9113* 171	0.7772* 171	1 171	
z_EBITDAthEUR2018	0.6812* 171	0.8417* 171	0.6189* 171	0.5346* 171	0.6530* 171	1 171

* Indicates significance at the level of 0.05

A factor analysis was conducted without the operating revenue. The eigenvalues, the rotated factor loadings and the KMO can be seen in Table 4. Together the two factors explain 89.8% of variation. The first factor consists of three items Profit margin (z_Profitmargin2018_n), Return on assets (ROA) using income (z_ROAusingNetincome2018), and EBITDA margin (z_EBITDAMargin2018). These items had also quite high correlations with each other. The second group consists of two items P/L for the period (PLforperiodNetIncometh) and EBITDA (z_EBITDAthEUR2018). The communality values exceed 0.50, which indicates that the items have much in common with the other items. The KMO values range between 0.44 and 0.91 and the overall KMO is 0.52, which is below the recommended 0.6. The items do not correlate enough, thus it is not meaningful to combine them in a factor. The Cronbach alpha values for both factors exceed the recommended value of 0.6, which makes them reliable.

Table 4 Factor analysis of standardized financial measures

Standardized financial measures in the year 2018					
Item	Item description	Rotated factor loadings		Communality	Kaiser's measure of sampling adequacy
		Factor 1	Factor 2		
z_PLforperiodNetIncometh	P/L for the period		0.927	0.921	0.442
z_Profitmargin2018_n	Profit margin	0.941		0.927	0.521
z_ROAusingNetincome2018	ROA using Net income	0.885		0.791	0.910
z_EBITDAMargin2018	EBITDA Margin	0.918		0.912	0.518
z_EBITDAthEUR2018	EBITDA		0.962	0.939	0.378
	Eigenvalue	3.164	1.326		
	Cum.%	0.633	0.898		
	Cronbach α	0.898	0.848		

The results have been repeated several times with different variable combinations (Appendix 3). The results of the KMO indicate that it is not meaningful to combine other variables than the profit margin, return on assets (ROA) using income, and EBITDA margin (table 4). The measures of Operating revenue (OperatingrevenueTurnoverth), P/L for the period (PLforperiodNetIncometh), and EBITDA (EBITDAthEUR2018) were decided for the use of this study.

The non-financial measure for SMEs profitability is the perceived international profitability (Intper_S). It is the subjective view on SME's international profitability, and it was measured with a seven-point Likert scale (1='strongly disagree' to 7='strongly agree'). The perceived international profitability measure consists of three items, which are loaded on one factor. The eigenvalues, the rotated factor loadings and the KMO can be seen in table 5. The communality values exceed 0.50, which indicates that the items have much in common with the other items. The KMO values range between 0.649 and 0.838, which indicates that the items correlate enough, thus it is meaningful to combine them in a factor. The Cronbach alpha value 0.82 exceeds the recommended 0.6.

Table 5 International profitability, subjective

What do you think of the following statements concerning the international profitability of your company? (1=strongly disagree, 7=strongly agree)				
Item	Item description	Rotated factor loadings	Communality	Kaiser's measure of sampling adequacy
Intper1	Internationalisation has had a positive effect on the profitability of our company	0.816	0.666	0.838
Intper2	Internationalisation has had a positive effect on the image of our company	0.910	0.829	0.649
Intper3	Internationalisation has had a positive effect on the development of our know-how	0.902	0.814	0.659
	Eigenvalue	2.308		
	Cum.%	0.769		
	Cronbach α	0.824		

3.4.4 Firm growth

New variables for measuring firm's growth were created. In order to take into consideration, the effect of firm size, Operating revenue (OperatingrevenueTurnoverth) was divided by the number of employees (both working abroad as well as in Finland). The new variable was named FirmGrowthOT. The FirmGrowthNI was created similarly by dividing the Return on assets (ROA) using net income (ROAusingNetincome2018) by the number of employees and FirmGrowthET by dividing the EBITDA (EBITDAthEUR2018) by the number of employees. The two latter ones were used as a robustness check for confirming the objective financial results.

3.4.5 Competitive advantage

Competitive advantage measure consists of 21 items, which are loaded on five factors. The eigenvalues, the rotated factor loadings and the KMO can be seen in Table 6. Together the five factors explain 62.5% of variation. The first factor (Factor 1) includes items related to products (CA_Product) consisting of the items CompetitiveAdvantage5 - CompetitiveAdvantage8; the second factor (Factor 2) includes items related to quality (CA_Quality) and consists of the items CompetitiveAdvantage1, CompetitiveAdvantage3, CompetitiveAdvantage4, and CompetitiveAdvantage19; the third factor (Factor 3) includes items related to distribution (CA_Distribution) and consists of the items CompetitiveAdvantage2, CompetitiveAdvantage9, CompetitiveAdvantage15 and CompetitiveAdvantage16; the fourth factor (Factor 4) includes items related to sales and promotion (CA_Promotion) CompetitiveAdvantage12, CompetitiveAdvantage13, CompetitiveAdvantage14, and CompetitiveAdvantage20; the fifth factor (Factor 5) includes items related to processes (CA_Process) and consists of items CompetitiveAdvantage17 and CompetitiveAdvantage18. Items CompetitiveAdvantage10 and CompetitiveAdvantage11 are dropped due to their low loadings on factors.

Almost every communality value exceeds 0.50, which indicates that the items have much in common with the other items. The only item, which doesn't exceed is the CompetitiveAdvantage9. The KMO values range between 0.737 and 0.939, which indicates that the items correlate enough, thus it is meaningful to combine them in factors. The Cronbach alpha values of both Factors 1 to 4 exceed the recommended 0.6, but the Cronbach's alpha value (0.55) of Factor 5 is below the recommended 0.6, so it is not reliable.

Table 6 Factor analysis of Competitive Advantage

Compare your firm with your most important competitors relative to the following elements: (1=much worse than competitors, 7=much better than competitors)								
Item	Item description	Rotated factor loadings					Communality	Kaiser's measure of sampling adequacy
		Factor 1	Factor 2	Factor 3	Factor 4	Factor 5		
CompetitiveAdvantage1	Customer knowledge		0.550	0.478			0.624	0.838
CompetitiveAdvantage2	Competitor knowledge		0.493	0.607			0.685	0.862
CompetitiveAdvantage3	Customer satisfaction		0.790				0.664	0.769
CompetitiveAdvantage4	Product/service quality		0.741				0.655	0.796
CompetitiveAdvantage5	New product/service development	0.760					0.648	0.869
CompetitiveAdvantage6	New production technology	0.789					0.705	0.856
CompetitiveAdvantage7	Branding of product/service	0.728					0.714	0.867
CompetitiveAdvantage8	Product positioning	0.608					0.637	0.880
CompetitiveAdvantage9	Width and depth of product portfolio			0.541			0.414	0.842
CompetitiveAdvantage10	Term of payment			0.430		0.353	0.426	0.874
CompetitiveAdvantage11	Advertising	0.401		0.506	0.489		0.658	0.885
CompetitiveAdvantage12	Personal selling		0.352		0.601		0.514	0.939
CompetitiveAdvantage13	Internet use				0.689		0.629	0.891
CompetitiveAdvantage14	Other promotion			0.447	0.723		0.759	0.852
CompetitiveAdvantage15	Distribution			0.612	0.488		0.645	0.849
CompetitiveAdvantage16	Relationships with export intermediaries			0.712			0.605	0.872
CompetitiveAdvantage17	Production process	0.478				0.587	0.609	0.832
CompetitiveAdvantage18	Sub-contracting					0.818	0.738	0.737
CompetitiveAdvantage19	In-time delivery		0.560			0.509	0.650	0.846
CompetitiveAdvantage20	Networking				0.596		0.533	0.917
CompetitiveAdvantage21	Overall competitiveness	0.412	0.554				0.584	0.854
	Eigenvalue	7.269	2.036	1.537	1.279	1.005		
	Cum.%	0.346	0.443	0.516	0.577	0.625		
	Cronbach α	0.824	0.758	0.7236	0.739	0.548		

3.5 Reliability and validity

Cronbach's alpha was used to examine the reliability of all the factors. The summary of the results of the factors EnvironmentalPracticesL, EnvironmentalPracticesO, EmployeeEngagement, LocalCommunityEngagement, and CustomerEngagement are presented in Appendix 4. For the factor EnvironmentalPracticesL the inter-item test correlations range from 0.74 to 0.86 and the alpha value is 0.86, which demonstrates a good reliability. For the factor EnvironmentalPracticesO the inter-item test correlations range from 0.77 to 0.84 and the alpha value is 0.80, which demonstrates a good reliability. For the factor EmployeeEngagement the inter-item test correlations range from 0.78 to 0.88 and the alpha value is 0.90, which demonstrates a really good reliability. For the factor LocalCommunityEngagement the inter-item test correlations range from 0.75 to 0.85 and the alpha value is 0.85, which demonstrates a good reliability. For the factor CustomerEngagement the inter-item test correlations range from 0.82 to 0.91 and the alpha value is 0.87, which demonstrates a really good reliability. The overall reliability would get better by removing the item CustomerEngagement2, but the effect of removing it wouldn't dramatically change the reliability (from 0.87 to 0.88), so the variable will be kept in the factor, as it brings more validity.

The summary of the results of the factors CA_Product, CA_Quality, CA_Distribution, CA_Promotion and CA_Process are presented in Appendix 4. For the factor CA_Product the inter-item test correlations range from 0.75 to 0.87 and the alpha value is 0.82, which demonstrates a good reliability. For the factor CA_Quality the inter-item test correlations range from 0.68 to 0.77 and the alpha value is 0.76, which demonstrates a good reliability. For the factor CA_Distribution the inter-item test correlations range from 0.67 to 0.81 and the alpha value is 0.72, which demonstrates a good reliability. For the factor CA_Promotion the inter-item test correlations range from 0.67 to 0.83 and the alpha value is 0.74, which demonstrates a good reliability. For the factor CA_Process the inter-item test correlations is 0.59 and the alpha value is 0.55, which demonstrates a low reliability. Thus, the factor will be removed from further analysis.

4 FINDINGS

This chapter will present the testing of the hypotheses presented in Chapter 2. First the descriptive statistics are presented including the removal of outliers, and then the hypotheses testings are presented. All hypotheses are tested with linear regression model with OLS as an estimation method.

4.1 Descriptive statistics of the model variables

The descriptive statistics of the variables were checked and can be found below in Table 7. It presents the number of observations, the means, standard deviations as well as minimum and maximum values of each variable.

Table 7 Descriptive statistics of the variables

	Obs	Mean	Std. Dev.	Min	Max
EnvironmentalPracticesL	207	3.92	1.48	1	7
EnvironmentalPracticesO	207	5.27	1.12	1.50	7
EmployeeEngagement	209	5.53	1.02	1.83	7
LocalCommunityEngagement	208	4.23	1.33	1	7
CustomerEngagement	208	6.24	0.80	2	7
FirmGrowthOT	77	231.65	247.37	0.79	1677.82
FirmGrowthET	77	20.66	37.30	-52.49	184.94
FirmGrowthNI	79	10.50	28.79	-84.28	114.44
PLforperiodNetIncometh	175	432.78	1529.22	-4210.00	11947.27
Profitmargin2018_n	173	3.29	14.01	-99.36	61.77
ROAusingNetincome2018	175	4.78	18.66	-100	80
EBITDAMargin2018	171	7.11	12.19	-61.90	62.27
EBITDAthEUR2018	171	1152.69	2615.55	-2362.21	20426.79
CA_Product	198	4.72	1.10	1.67	7
CA_Quality	198	5.33	0.79	3.40	7
CA_Distribution	198	4.46	1.00	2	7
CA_Promotion	197	4.63	1.03	1.50	7
CA_Process	196	4.54	1.04	1	7
Intper_S	193	5.42	1.29	1	7
FirmAge	208	31.92	20.00	4	105
FirmSize	97	111.54	199.65	1	1500

4.1.1 Checking outliers

A scatter plot was taken with each explanatory variable with each dependent variable in order to find out any outlier observations. These outlier values were then replaced as missing values in order not to distort the results too much. The scatter plots of these are also in Appendix 1.

4.2 Testing hypotheses

The first hypothesis

Hypothesis 1. Responsible business practices are positively associated with financial performance in internationalizing SMEs.

is divided to four sub-hypotheses.

H1a. Responsible business practices related to the environment are positively associated with financial performance of internationalizing SMEs.

The correlations of the variables were tested with Spearman's correlation and presented below in Table 8, where the values in the significance level of 0.05 are presented with two stars (**) and the ones with the significance level of 0.01 with one star (*).

Table 8 Spearman's correlation

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1 EnvironmentalPracticesL	1																				
2 EnvironmentalPracticesO	0.3303*	1																			
3 EmployeeEngagement	0.1564	0.3073**	1																		
4 LocalCommunityEngagement	0.3501*	0.3760*	0.3763*	1																	
5 CustomerEngagement	0.0831	0.3776*	0.5786*	0.2389	1																
6 FirmGrowthOT	0.073	-0.0929	-0.2116	-0.0729	-0.3039**	1															
7 FirmGrowthET	0.073	0.0916	-0.0419	-0.0461	-0.1361	0.8042*	1														
8 FirmGrowthNI	-0.045	0.0485	0.0046	-0.1054	-0.0106	0.6166*	0.9150*	1													
9 PLforperiodNetIncometh	0.1144	0.1062	-0.021	0.112	-0.027	0.4724*	0.7845*	0.8240*	1												
10 Profitmargin2018 n	-0.0436	0.0312	0.0991	-0.0392	0.0584	0.3728*	0.7834*	0.9094*	0.8010*	1											
11 ROUsingNetincome2018	-0.1068	-0.0274	0.0329	-0.0807	0.0659	0.3332*	0.7123*	0.8907*	0.7667*	0.9320*	1										
12 EBITDAMargin2018	0.0694	0.183	0.1316	0.0122	0.0638	0.4192*	0.8315*	0.8451*	0.7639*	0.9176*	0.8034*	1									
13 EBITDathEUR2018	0.3226**	0.1772	-0.3043	0.2128	-0.077	0.5312*	0.7260*	0.6217*	0.8648*	0.5942*	0.5029*	0.6582*	1								
14 CA Product	-0.0183	0.209	0.3025**	0.0197	0.2931**	-0.0559	-0.0176	0.052	-0.0625	0.0369	-0.0166	0.0679	-0.0517	1							
15 CA Quality	-0.0076	0.3711*	0.3982*	0.1981	0.3689*	-0.1855	-0.1429	-0.0887	-0.1604	-0.0673	-0.098	-0.0604	-0.1166	0.6793*	1						
16 CA Distribution	0.1915	0.4124*	0.4104*	0.3169**	0.2103	-0.1663	-0.0434	-0.0441	0.0336	-0.08	-0.1191	0.0448	0.0625	0.5838*	0.4600*	1					
17 CA Promotion	-0.0478	0.2206	0.2880**	0.2188	0.2507	-0.143	-0.0115	0.036	0.0485	0.0432	0.0253	0.1168	0.0645	0.6210*	0.5796*	0.6865*	1				
18 CA Process	0.0882	0.1282	0.1682	0.0197	0.0073	0.215	0.106	-0.0289	-0.0207	-0.0886	-0.142	0.0398	0.1544	0.5225*	0.5051*	0.3168**	0.4110*	1			
19 Inter_S	-0.1069	0.0151	0.0336	0.0547	-0.0034	0.0113	0.0285	0.0272	0.1375	0.0562	-0.0321	0.0619	0.0672	0.2445	-0.0066	0.0102	0.0971	0.1323	1		
20 FirmAge	0.3597*	0.1585	-0.1172	-0.0087	0.0298	0.0562	0.2101	0.2233	0.3800*	0.2488	0.1791	0.2743**	0.4125*	-0.0638	-0.1122	0.18	0.0363	-0.1232	-0.1271	1	
21 FirmSize	0.4280*	0.2085	0.0526	0.4013*	0.1624	-0.3107**	-0.2673**	-0.2723**	0.1587	-0.2181	-0.2141	-0.235	0.3616*	-0.0546	0.0382	0.2461	0.101	-0.028	0.0259	0.3841*	1

** Indicates significance at the level of 0.05 *Indicates significance at the level of 0.01

4.2.1 Hypothesis 1

According to table 8 there is a correlation of 0.073 between the EnvironmentalPracticesL and FirmGrowthOT and the correlation between EnvironmentalPracticesO and FirmGrowthOT is -0.0929. The independent variables EnvironmentalPracticesL and EnvironmentalPracticesO were formed in a factor analysis, which was explained in section 3.4.2. The results of the first regressions can be seen in Appendix 6 (Tables 18 and 19).

Model 1a

According to Ramsay's RESET test the model 1a has no omitted variables with the p-value 0.971 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\chi^2[5] = 5.48$) with the p-value 0.361 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\chi^2 = 0.927$) in the model, as the p-value (0.336) is greater than 0.05. The VIF value of 1.08 is acceptable. The tolerance values indicate that 92.5% of variation in firm age and 92.5% of variation in EnvironmentalPracticesL is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1a are presented in Appendix 6. The total amount of observations is 73. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 73 observations with three independent variables is acceptable and thus results can be generalizable. Model 1a is not statistically significant according to the $\text{Prob} > F = 0.305$ at the significance level of 0.05. The R^2 of 0.033 indicates that the independent variables, EnvironmentalPracticesL and FirmAge can be used to explain about 3.3 % of the variation in the dependent variable, FirmGrowthOT. The coefficients indicate that one unit increase in EnvironmentalPracticesL would result in an increase of 4.223 in the FirmGrowthOT. A one unit increase in Firm age would result in a decrease of 1.862 in the FirmGrowthOT.

According to table 8 there is a correlation of -0.045 between the EnvironmentalPracticesL and FirmGrowthNI and the correlation between EnvironmentalPracticesO and FirmGrowthNI is -0.0485. The results of the regressions can be seen in Appendix 6 (Tables 18 and 19).

Model 1a2

According to Ramsay's RESET test the model 1a2 has no omitted variables with the p-value 0.621 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\text{chi}^2[5] = 3.8$) with the p-value 0.578 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\text{chi}^2 = 0.053$) in the model, as the p-value (0.817) is greater than 0.05. The VIF value of 1.07 is acceptable. The tolerance values indicate that 93.2% of variation in firm age and 93.2% of variation in EnvironmentalPracticesL is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1a2 are presented in Appendix 6. The total amount of observations is 75. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 75 observations with three independent variables is acceptable and thus results can be generalizable. Model 1a2 is not statistically significant according to the $\text{Prob} > F = 0.716$ at the significance level of 0.05. The R^2 of 0.009 indicates that the independent variables, EnvironmentalPracticesL and FirmAge can be used to explain about 0.9 % of the variation in the dependent variable, FirmGrowthNI. The coefficients indicate that one unit increase in EnvironmentalPracticesL would result in an increase of 1.055 in the FirmGrowthNI. A one unit increase in Firm age would result in an increase of 0.061 in the FirmGrowthNI.

Model 1a3

According to Ramsay's RESET test the model 1a3 has no omitted variables with the p-value 0.700 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows

that the model is homoscedastic ($\chi^2[5] = 2.16$) with the p-value 0.827 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\chi^2 = 0.001$) in the model, as the p-value (0.973) is greater than 0.05. The VIF value of 1.06 is acceptable. The tolerance values indicate that 94.0% of variation in firm age and 94.0% of variation in EnvironmentalPracticesL is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1a3 are presented in Appendix 6. The total amount of observations is 73. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 73 observations with three independent variables is acceptable and thus results can be generalizable. Model 1a3 is not statistically significant according to the $\text{Prob} > F = 0.554$ at the significance level of 0.05. The R^2 of 0.017 indicates that the independent variables, EnvironmentalPracticesL and FirmAge can be used to explain about 1.7 % of the variation in the dependent variable, FirmGrowthET. The coefficients indicate that one unit increase in EnvironmentalPracticesL would result in an increase of 2.603 in the FirmGrowthET. A one unit increase in Firm age would result in a decrease of 0.019 in the FirmGrowthET.

Model 1b

According to Ramsay's RESET test the model has no omitted variables with the p-value 0.836 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\chi^2[5] = 6.72$) with the p-value 0.242 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\chi^2 = 1.408$) in the model, as the p-value (0.235) is greater than 0.05. The

VIF value of 1.02 is acceptable. The tolerance values indicate that 97.9% of variation in firm age and 97.9% of variation in EnvironmentalPracticesO is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1b are presented in Appendix 6. The total amount of observations is 73. The model with 73 observations with three independent variables is acceptable and thus results can be generalizable. Model 1b is statistically not significant according to the $\text{Prob} > F = 0.249$ at the significance level of 0.05. The R^2 of 0.039 indicates that the independent variables, EnvironmentalPracticesO and FirmAge can be used to explain about 3.9 % of the variation in the dependent variable, FirmGrowthOT. The coefficients indicate that one unit increase in EnvironmentalPracticesO would results in a decrease of 15.863 in the FirmGrowthOT. A one unit increase in Firm age would result in a decrease of 1.642 in the FirmGrowthOT.

Model 1b2

According to Ramsay's RESET test the model 1b2 has no omitted variables with the p-value 0.306 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\text{chi}^2[5] = 3.61$) with the p-value 0.607 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\text{chi}^2 = 0.082$) in the model, as the p-value (0.775) is greater than 0.05. The VIF value of 1.02 is acceptable. The tolerance values indicate that 98.3% of variation in firm age and 98.3% of variation in EnvironmentalPracticesO is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1b2 are presented in Appendix 6. The total amount of observations is 75. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 75 observations with three independent variables is acceptable and thus results can be generalizable. Model 1b2 is not statistically significant according to the $\text{Prob} > F = 0.823$ at the significance level of 0.05. The R^2 of 0.005 indicates that the independent variables, EnvironmentalPracticesO and FirmAge can be used to explain about 0.5 % of the variation in the dependent variable, FirmGrowthNI. The coefficients indicate that one unit increase in EnvironmentalPracticesO would results in an increase of 0.754 in the FirmGrowthNI. A one unit increase in Firm age would result in an increase of 0.080 in the FirmGrowthNI.

Model 1b3

According to Ramsay's RESET test the model 1b3 has no omitted variables with the p-value 0.477 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\text{chi}^2[5] = 1.91$) with the p-value 0.862 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\text{chi}^2 = 0.027$) in the model, as the p-value (0.870) is greater than 0.05. The VIF value of 1.01 is acceptable. The tolerance values indicate that 98.7% of variation in firm age and 98.7% of variation in EnvironmentalPracticesO is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram

and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1b3 are presented in Appendix 6. The total amount of observations is 73. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 73 observations with three independent variables is acceptable and thus results can be generalizable. Model 1b3 is not statistically significant according to the $\text{Prob} > F = 0.726$ at the significance level of 0.05. The R^2 of 0.009 indicates that the independent variables, EnvironmentalPracticesO and FirmAge can be used to explain about 0.9% of the variation in the dependent variable, FirmGrowthET. The coefficients indicate that one unit increase in EnvironmentalPracticesO would result in an increase of 3.038 in the FirmGrowthET. A one unit increase in Firm age would result in a decrease of 0.018 in the FirmGrowthET.

Model 1c

According to Ramsay's RESET test the model has no omitted variables with the p-value 0.200 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\text{chi}^2[9] = 4.1$) with the p-value 0.905 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\text{chi}^2 = 0.051$) in the model, as the p-value (0.821) is greater than 0.05. The VIF value of 1.07 is acceptable. The tolerance values indicate that 91.0% of variation in firm age, 91.8% of variation in firm size, and 96.8% of variation in EnvironmentalPracticesL is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1c are presented in Appendix 6. The total amount of observations is 86. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 1c is not statistically **significant** according to the $\text{Prob} > F = 0.841$ at the significance level of 0.05. The R^2 of 0.010 indicates that the independent variables, EnvironmentalPracticesL, FirmAge and FirmSize can be used to explain about 1.0 % of the variation in the dependent variable, Intper_S. The coefficients indicate that one unit increase in EnvironmentalPracticesL would result in an increase of 0.003 in the Intper_S. A one unit increase in Firm age would result in a decrease of 0.001 in the Intper_S and a one unit increase in firm size would result in an increase of 0.001 in the Intper_S. None of the coefficients are statistically significant at the significance level of 0.05, as the p-values are all above 0.05.

Model 1d

According to Ramsay's RESET test the model has no omitted variables with the p-value 0.134 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\text{chi}^2[9] = 8.04$) with the p-value 0.531 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\text{chi}^2 = 0.047$) in the model, as the p-value (0.829) is greater than 0.05. The VIF value of 1.06 is acceptable. The tolerance values indicate that 91.9% of variation in firm age, 91.9% of variation in firm size, and 98.2% of variation in EnvironmentalPracticesO is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution.

The results of the multiple regression analysis of model 1d are presented in Appendix 6. The total amount of observations is 86. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 1d is not statistically

significant according to the $\text{Prob} > F = 0.840$ at the significance level of 0.05. The R^2 of 0.010 indicates that the independent variables, EnvironmentalPracticesO, FirmAge and FirmSize can be used to explain about 1.0 % of the variation in the dependent variable, Intper_S. The coefficients indicate that one unit increase in EnvironmentalPracticesO would result in a decrease of 0.009 in the Intper_S. A one unit increase in Firm age would result in a decrease of 0.001 in the Intper_S and a one unit increase in firm size would result in an increase of 0.001 in the Intper_S. None of the coefficients are statistically significant at the significance level of 0.05, as the p-values are all above 0.05.

H1b. Responsible business practices related to employees are positively associated with financial performance of internationalizing SMEs.

According to table 8 there is a correlation of -0.212 between the FirmGrowthOT and EmployeeEngagement and the correlation between Intper_S and EmployeeEngagement is -0.034. The independent variable EmployeeEngagement was formed in a factor analysis, which was explained in section 3.4.2. The results of the regressions can be seen in Appendix 6 (Tables 18 and 19).

Model 1e

According to Ramsay's RESET test the model 1e has no omitted variables with the p-value 0.650 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\text{chi}^2[5] = 5.05$) with the p-value 0.409 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\text{chi}^2 = 0.353$) in the model, as the p-value (0.552) is greater than 0.05. The VIF value of 1.03 is acceptable. The tolerance values indicate that 96.8% of variation in firm age and 96.8% of variation in EmployeeEngagement is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram

and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1e are presented in Appendix 6. The total amount of observations is 73. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 73 observations with three independent variables is acceptable and thus results can be generalizable. Model 1e is statistically significant according to the $\text{Prob} > F = 0.050$ at the significance level of 0.05. The R^2 of 0.082 indicates that the independent variables, EmployeeEngagement and FirmAge can be used to explain about 8.2 % of the variation in the dependent variable, FirmGrowthOT. The coefficients indicate that one unit increase in EmployeeEngagement would result in a decrease of 52.767 in the FirmGrowthOT. A one unit increase in Firm age would result in a decrease of 2.210 in the FirmGrowthOT. Although the model is statistically significant neither of the coefficients is statistically significant.

Model 1e2

According to Ramsay's RESET test the model 1e2 has no omitted variables with the p-value 0.765 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\text{chi}^2[5] = 6.58$) with the p-value 0.254 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\text{chi}^2 = 0.013$) in the model, as the p-value (0.910) is greater than 0.05. The VIF value of 1.04 is acceptable. The tolerance values indicate that 96.4% of variation in firm age and 96.4% of variation in EmployeeEngagement is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1e2 are presented in Appendix 6. The total amount of observations is 75. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 75 observations with three independent variables is acceptable and thus results can be generalizable. Model 1e2 is not statistically significant according to the $\text{Prob} > F = 0.755$ at the significance level of 0.05. The R^2 of 0.008 indicates that the independent variables, EmployeeEngagement and FirmAge can be used to explain about 0.8 % of the variation in the dependent variable, FirmGrowthNI. The coefficients indicate that one unit increase in EmployeeEngagement would result in an increase of 3.106 in the FirmGrowthNI. A one unit increase in Firm age would result in an increase of 0.014 in the FirmGrowthNI.

Model 1e3

According to Ramsay's RESET test the model 1e3 has no omitted variables with the p-value 0.829 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\text{chi}^2[5] = 3.35$) with the p-value 0.646 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\text{chi}^2 = 0$) in the model, as the p-value (0.988) is greater than 0.05. The VIF value of 1.04 is acceptable. The tolerance values indicate that 96.6% of variation in firm age and 96.6% of variation in EmployeeEngagement is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1e3 are presented in Appendix 6. The total amount of observations is 73. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 73 observations with three independent variables is acceptable and thus results can

be generalizable. Model 1e3 is not statistically significant according to the $\text{Prob} > F = 0.833$ at the significance level of 0.05. The R^2 of 0.005 indicates that the independent variables, EmployeeEngagement and FirmAge can be used to explain about 0.5% of the variation in the dependent variable, FirmGrowthET. The coefficients indicate that one unit increase in EmployeeEngagement would result in an increase of 2.453 in the FirmGrowthET. A one unit increase in Firm age would result in a decrease of 0.066 in the FirmGrowthET.

Model 1f

According to Ramsay's RESET test the model 1f has no omitted variables with the p-value 0.288 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\text{chi}^2[9] = 5.62$) with the p-value 0.777 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\text{chi}^2 = 0.375$) in the model, as the p-value (0.540) is greater than 0.05. The VIF value of 1.06 is acceptable. The tolerance values indicate that 92.0% of variation in firm age, 92.6% of variation in firm size, and 99.3% of variation in EmployeeEngagement is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.001) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1f are presented in Appendix 6. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 73 observations with three independent variables is acceptable and thus results can be generalizable. Model 1f is not statistically significant according to the $\text{Prob} > F = 0.762$ at the significance level of 0.05. The R^2 of 0.014 indicates that the independent variables, EmployeeEngagement, FirmAge and FirmSize can be used to explain about 1.4 % of the

variation in the dependent variable, Intper_S. The coefficients indicate that one unit increase in EmployeeEngagement would result in an increase of 0.078 in the Intper_S. A one unit increase in Firm age would result in a decrease of 0.001 in the Intper_S and a one unit increase in Firm size would result in an increase of 0.001 in the Intper_S.

H1c. Responsible business practices related to local community are positively associated with financial performance of internationalizing SMEs.

According to table 8 there is a correlation of -0.073 between the LocalCommunityEngagement and FirmGrowthOT and the correlation between LocalCommunityEngagement and Intper_S is 0.055. The independent variable LocalCommunityEngagement was formed in a factor analysis, which was explained in section 3.4.2. The results of the regressions can be seen in Appendix 6 (Tables 18 and 19).

Model 1g

According to Ramsay's RESET test the model 1g has no omitted variables with the p-value 0.962 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\chi^2[5] = 3.48$) with the p-value 0.627 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\chi^2 = 1.136$) in the model, as the p-value (0.286) is greater than 0.05. The VIF value of 1 is acceptable. The tolerance values indicate that 99.8% of variation in firm age and 99.8% of variation in LocalCommunityEngagement is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1g are presented in Appendix 6. The total amount of observations is 73. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 73 observations with three independent variables is acceptable and thus results can be generalizable. Model 1g is not statistically significant according to the $\text{Prob} > F = 0.299$ at the significance level of 0.05. The R^2 of 0.034 indicates that the independent variables, LocalCommunityEngagement and FirmAge can be used to explain about 3.4 % of the variation in the dependent variable, FirmGrowthOT. The coefficients indicate that one unit increase in LocalCommunityEngagement would result in a decrease of 1.782 in the FirmGrowthOT. A one unit increase in Firm age would result in a decrease of 1.784 in the FirmGrowthOT.

Model 1g2

According to Ramsay's RESET test the model 1g2 has no omitted variables with the p-value 0.806 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\text{chi}^2[5] = 6.21$) with the p-value 0.286 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\text{chi}^2 = 0.015$) in the model, as the p-value (0.901) is greater than 0.05. The VIF value of 1 is acceptable. The tolerance values indicate that 99.8% of variation in firm age and 99.8% of variation in LocalCommunityEngagement is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1g2 are presented in Appendix 6. The total amount of observations is 75. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The

model with 75 observations with three independent variables is acceptable and thus results can be generalizable. Model 1g2 is not statistically significant according to the $\text{Prob} > F = 0.856$ at the significance level of 0.05. The R^2 of 0.004 indicates that the independent variables, LocalCommunityEngagement and FirmAge can be used to explain about 0.4 % of the variation in the dependent variable, FirmGrowthNI. The coefficients indicate that one unit increase in LocalCommunityEngagement would result in a decrease of 1.392 in the FirmGrowthNI. A one unit increase in Firm age would result in a decrease of 0.001 in the FirmGrowthNI.

Model 1g3

According to Ramsay's RESET test the model 1g3 has no omitted variables with the p-value 0.682 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\text{chi}^2[5] = 3.47$) with the p-value 0.628 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\text{chi}^2 = 0.011$) in the model, as the p-value (0.916) is greater than 0.05. The VIF value of 1 is acceptable. The tolerance values indicate that 99.9% of variation in firm age and 99.9% of variation in LocalCommunityEngagement is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1g3 are presented in Appendix 6. The total amount of observations is 73. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 73 observations with three independent variables is acceptable and thus results can be generalizable. Model 1g3 is not statistically significant according to the $\text{Prob} > F = 0.908$ at the significance level of 0.05. The R^2 of 0.003 indicates that the independent variables,

LocalCommunityEngagement and FirmAge can be used to explain about 0.3 % of the variation in the dependent variable, FirmGrowthET. The coefficients indicate that one unit increase in LocalCommunityEngagement would result in a decrease of 0.835 in the FirmGrowthET. A one unit increase in Firm age would result in a decrease of 0.075 in the FirmGrowthET.

Model 1h

According to Ramsay's RESET test the model 1h has no omitted variables with the p-value 0.527 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\chi^2[9] = 3.08$) with the p-value 0.961 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\chi^2 = 0.269$) in the model, as the p-value (0.604) is greater than 0.05. The VIF value of 1.07 is acceptable. The tolerance values indicate that 90.3% of variation in firm size, 90.8% of variation in firm age, and 99.2% of variation in LocalCommunityEngagement is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.001) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1h are presented in Appendix 6. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 73 observations with three independent variables is acceptable and thus results can be generalizable. Model 1h is not statistically significant according to the $\text{Prob} > F = 0.632$ at the significance level of 0.05. The R^2 of 0.021 indicates that the independent variables, LocalCommunityEngagement, FirmAge and FirmSize can be used to explain about 2.1 % of the variation in the dependent variable, Intper_S. The coefficients indicate that one unit increase in LocalCommunityEngagement would result in an increase of 0.039 in the Intper_S. A one

unit increase in Firm age would result in a decrease of 0.003 in the Intper_S and a one unit increase in Firm size would result in an increase of 0.001 in the Intper_S.

H1d. Responsible business practices related to customers are positively associated with financial performance of internationalizing SMEs.

Model 1i

According to Ramsay's RESET test the model 1i has no omitted variables with the p-value 0.913 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\chi^2[5] = 6.36$) with the p-value 0.273 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\chi^2 = 1.22$) in the model, as the p-value (0.269) is greater than 0.05. The VIF value of 1 is acceptable. The tolerance values indicate that 99.99% of variation in firm age and 99.99% of variation in CustomerEngagement is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1i are presented in Appendix 6. The total amount of observations is 73. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 73 observations with three independent variables is acceptable and thus results can be generalizable. Model 1i is not statistically significant according to the $\text{Prob} > F = 0.307$ at the significance level of 0.05. The R^2 of 0.033 indicates that the independent variables, CustomerEngagement and FirmAge can be used to explain about 3.3 % of the variation in the dependent variable, FirmGrowthOT. The coefficients indicate that one unit increase in

CustomerEngagement would results in a decrease of 16.420 in the FirmGrowthOT. A one unit increase in Firm age would result in a decrease of 1.774 in the FirmGrowthOT.

Model 1i2

According to Ramsay's RESET test the model 1i2 has no omitted variables with the p-value 0.994 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\text{chi2}[5] = 8.26$) with the p-value 0.143 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\text{chi2} = 0.049$) in the model, as the p-value (0.825) is greater than 0.05. The VIF value of 1 is acceptable. The tolerance values indicate that 99.995% of variation in firm age and 99.995% of variation in CustomerEngagement is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1i2 are presented in Appendix 6. The total amount of observations is 75. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 75 observations with three independent variables is acceptable and thus results can be generalizable. Model 1i2 is not statistically significant according to the $\text{Prob} > F = 0.990$ at the significance level of 0.05. The R^2 of 0.0003 indicates that the independent variables, CustomerEngagement and FirmAge can be used to explain about 0.03 % of the variation in the dependent variable, FirmGrowthNI. The coefficients indicate that one unit increase in CustomerEngagement would results in an increase of 0.582 in the FirmGrowthNI. A one unit increase in Firm age would result in an increase of 0.011 in the FirmGrowthNI.

Model 1i3

According to Ramsay's RESET test the model 1i3 has no omitted variables with the p-value 0.957 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows that the model is homoscedastic ($\text{chi2}[5] = 3.09$) with the p-value 0.686 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\text{chi2} = 0.034$) in the model, as the p-value (0.853) is greater than 0.05. The VIF value of 1 is acceptable. The tolerance values indicate that 99.98% of variation in firm age and 99.98% of variation in CustomerEngagement is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.000) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1i3 are presented in Appendix 6. The total amount of observations is 73. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 73 observations with three independent variables is acceptable and thus results can be generalizable. Model 1i3 is not statistically significant according to the $\text{Prob} > F = 0.946$ at the significance level of 0.05. The R^2 of 0.002 indicates that the independent variables, CustomerEngagement and FirmAge can be used to explain about 0.2 % of the variation in the dependent variable, FirmGrowthNI. The coefficients indicate that one unit increase in CustomerEngagement would result in a decrease of 1.445 in the FirmGrowthNI. A one unit increase in Firm age would result in a decrease of 0.054 in the FirmGrowthNI.

Model 1j

According to Ramsay's RESET test the model 1j has no omitted variables with the p-value 0.057 (>0.05). To check the assumption of homoscedasticity, White's test was run. It shows

that the model is homoscedastic ($\chi^2[9] = 6.32$) with the p-value 0.708 (>0.05). It can be concluded that the variance of error terms is constant in this model. To check the assumption of having no autocorrelation, Durbin's alternative test for serial correlation was used. It shows that there is no autocorrelation ($\chi^2 = 0.001$) in the model, as the p-value (0.975) is greater than 0.05. The VIF value of 1.06 is acceptable. The tolerance values indicate that 91.6% of variation in firm size, 92.6% of variation in firm age, and 98.6% of variation in LocalCommunityEngagement is dependent from the other variables. It can be concluded that there is no significant multicollinearity in the model.

A histogram and normal probability plot were created to check the normality of the residuals (Appendix 5). In addition, it was checked by running the Shapiro-Wilk test. The p-value (0.001) was below 0.05, which means that the variance is not normally distributed. Also, the histogram and normal probability plot do not show normal distribution. But as the sample is quite large, this is not seen as problem.

The results of the multiple regression analysis of model 1j are presented in Appendix 6. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 1j is not statistically significant according to the $\text{Prob} > F = 0.639$ at the significance level of 0.05. The R^2 of 0.020 indicates that the independent variables, CustomerEngagement, FirmAge and FirmSize can be used to explain about 2.0 % of the variation in the dependent variable, Intper_S. The coefficients indicate that one unit increase in CustomerEngagement would results in an increase of 0.158 in the Intper_S. A one unit increase in Firm age would result in a decrease of 0.004 in the Intper_S and a one unit increase in Firm size would result in an increase of 0.001 in the Intper_S.

Below a conclusion on whether the hypotheses were supported or rejected (Table 9). The *Hypothesis 1 Responsible business practices are positively associated with financial performance in internationalizing SMEs* can be partly supported due to the fact that the sub-hypothesis 1b is partly supported.

Table 9 Summary of Hypothesis 1 results

Hypothesis	Supported/Rejected
1a	Rejected
1b	Partly supported
1c	Rejected
1d	Rejected

4.2.2 Hypothesis 2

H2. The more an internationalized SME engages in responsible business practices, the better the perceived competitive advantage of the firm.

The basic assumptions were tested, and no violations were discovered. The test results of Ramsey's RESET test, Durbin's alternative, White's test, Shapiro-Wilk test for residuals, as well as test for the variance inflation factor (VIF) and tolerance, the inverse of VIF are presented in the Appendix 7.

Model 2a

The results of the multiple regression analysis of model 2a are presented in Appendix 8. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 2a is not statistically significant according to the Prob > F = 0.992 at the significance level of 0.05. The R² of 0.001 indicates that the independent variables, EnvironmentalPracticesL, FirmAge and FirmSize can be used to explain about 0.1 % of the variation in the dependent variable, CA_Product. The coefficients indicate that one unit increase in EnvironmentalPracticesL would results in an increase of 0.007 in the CA_Product. A one unit increase in Firm age would result in a decrease of 0.001 in the CA_Product and a one unit increase in Firm size would result in an increase of 0.001 in the CA_Product.

Model 2b

The results of the multiple regression analysis of model 2b are presented in Appendix 8. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 2b is not statistically significant according to the Prob > F = 0.957 at the significance level of 0.05. The R² of 0.004 indicates that the independent variables, EnvironmentalPracticesO, FirmAge and FirmSize can be used to explain about 0.4 % of the variation in the dependent variable, CA_Product. The coefficients indicate that one unit increase in EnvironmentalPracticesO would result in an increase of 0.054 in the CA_Product. A one unit increase in Firm age would result in a decrease of 0.001 in the CA_Product and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Product.

Model 2c

The results of the multiple regression analysis of model 2c are presented in Appendix 8. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 2c is not statistically significant according to the Prob > F = 0.957 at the significance level of 0.05. The R² of 0.039 indicates that the independent variables, EmployeeEngagement, FirmAge and FirmSize can be used to explain about 3.9 % of the variation in the dependent variable, CA_Product. The coefficients indicate that one unit increase in EmployeeEngagement would result in an increase of 0.258 in the CA_Product. A one unit increase in Firm age would result in a decrease of 0.001 in the CA_Product and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Product.

Model 2d

The results of the multiple regression analysis of model 2d are presented in Appendix 8. The total amount of observations is 87. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The

model with 87 observations with three independent variables is acceptable and thus results can be generalizable. Model 2d is not statistically significant according to the $\text{Prob} > F = 0.971$ at the significance level of 0.05. The R^2 of 0.003 indicates that the independent variables, LocalCommunityEngagement, FirmAge and FirmSize can be used to explain about 0.3 % of the variation in the dependent variable, CA_Product. The coefficients indicate that one unit increase in LocalCommunityEngagement would results in an increase of 0.035 in the CA_Product. A one unit increase in Firm age would result in a decrease of 0.001 in the CA_Product and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Product.

Model 2e

The results of the multiple regression analysis of model 2e are presented in Appendix 8. The total amount of observations is 87. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 87 observations with three independent variables is acceptable and thus results can be generalizable. Model 2e is not statistically significant according to the $\text{Prob} > F = 0.971$ at the significance level of 0.05. The R^2 of 0.003 indicates that the independent variables, CustomerEngagement, FirmAge and FirmSize can be used to explain about 0.3 % of the variation in the dependent variable, CA_Product. The coefficients indicate that one unit increase in CustomerEngagement would results in an increase of 0.035 in the CA_Product. A one unit increase in Firm age would result in a decrease of 0.001 in the CA_Product and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Product.

Model 2f

The results of the multiple regression analysis of model 2e are presented in Appendix 8. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 2f is not statistically significant according to the $\text{Prob} > F = 0.672$ at the significance level of 0.05. The R^2 of 0.019 indicates that the independent variables, EnvironmentalPracticesL, FirmAge and FirmSize can be used to explain about 1.9 % of the

variation in the dependent variable, CA_Quality. The coefficients indicate that one unit increase in EnvironmentalPracticesL would result in an increase of 0.033 in the CA_Quality. A one unit increase in Firm age would result in a decrease of 0.003 in the CA_Quality and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Quality.

Model 2g

The results of the multiple regression analysis of model 2g are presented in Appendix 8. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 2g is not statistically significant according to the Prob > F = 0.241 at the significance level of 0.05. The R² of 0.050 indicates that the independent variables, EnvironmentalPracticesO, FirmAge and FirmSize can be used to explain about 0.5 % of the variation in the dependent variable, CA_Quality. The coefficients indicate that one unit increase in EnvironmentalPracticesO would result in an increase of 0.147 in the CA_Quality. A one unit increase in Firm age would result in a decrease of 0.004 in the CA_Quality and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Quality.

Model 2h

The results of the multiple regression analysis of model 2h are presented in Appendix 8. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 2h is statistically significant according to the Prob > F = 0.030 at the significance level of 0.05. The R² of 0.103 indicates that the independent variables, EmployeeEngagement, FirmAge and FirmSize can be used to explain about 10.3 % of the variation in the dependent variable, CA_Quality. The coefficients indicate that one unit increase in EmployeeEngagement would result in an increase of 0.297 in the CA_Quality. A one unit increase in Firm age would result in a decrease of 0.003 in the CA_Quality and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Quality. Only the

coefficient of EmployeeEngagement is statistically significant at the 0.05 significance level, as the p-value is 0.000.

Model 2i

The results of the multiple regression analysis of model 2i are presented in Appendix 8. The total amount of observations is 87. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 87 observations with three independent variables is acceptable and thus results can be generalizable. Model 2i is not statistically significant according to the Prob > F = 0.164 at the significance level of 0.05. The R² of 0.059 indicates that the independent variables, LocalCommunityEngagement, FirmAge and FirmSize can be used to explain about 5.9 % of the variation in the dependent variable, CA_Quality. The coefficients indicate that one unit increase in LocalCommunityEngagement would results in an increase of 0.131 in the CA_Quality. A one unit increase in Firm age would result in a decrease of 0.003 in the CA_Quality and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Quality.

Model 2j

The results of the multiple regression analysis of model 2j are presented in Appendix 8. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 2j is statistically significant according to the Prob > F = 0.001 at the significance level of 0.05. The R² of 0.191 indicates that the independent variables, CustomerEngagement, FirmAge and FirmSize can be used to explain about 19.1% of the variation in the dependent variable, CA_Quality. The coefficients indicate that one unit increase in CustomerEngagement would results in an increase of 0.475 in the CA_Quality. A one unit increase in Firm age would result in a decrease of 0.006 in the CA_Quality and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Quality. Only the coefficient of CustomerEngagement is statistically significant at the 0.05 significance level, as the p-value is 0.000.

Model 2k

The results of the multiple regression analysis of model 2k are presented in Appendix 8. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 2k is not statistically significant according to the $\text{Prob} > F = 0.324$ at the significance level of 0.05. The R^2 of 0.041 indicates that the independent variables, EnvironmentalPracticesL, FirmAge and FirmSize can be used to explain about 4.1% of the variation in the dependent variable, CA_Distribution. The coefficients indicate that one unit increase in EnvironmentalPracticesL would result in an increase of 0.106 in the CA_Distribution. A one unit increase in Firm age would result in a decrease of 0.005 in the CA_Distribution and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Distribution.

Model 2l

The results of the multiple regression analysis of model 2l are presented in Appendix 8. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 2l is statistically significant according to the $\text{Prob} > F = 0.046$ at the significance level of 0.05. The R^2 of 0.093 indicates that the independent variables, EnvironmentalPracticesO, FirmAge and FirmSize can be used to explain about 9.3% of the variation in the dependent variable, CA_Distribution. The coefficients indicate that one unit increase in EnvironmentalPracticesO would result in an increase of 0.270 in the CA_Distribution. A one unit increase in Firm age would result in an increase of 0.004 in the CA_Distribution and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Distribution. Only the coefficient of EnvironmentalPracticesO is statistically significant at the 0.05 significance level, as the p-value is 0.009.

Model 2m

The results of the multiple regression analysis of model 2m are presented in in Appendix 8. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 2m is statistically significant according to the $\text{Prob} > F = 0.037$ at the significance level of 0.05. The R^2 of 0.098 indicates that the independent variables, EmployeeEngagement, FirmAge and FirmSize can be used to explain about 9.8% of the variation in the dependent variable, CA_Distribution. The coefficients indicate that one unit increase in EmployeeEngagement would results in an increase of 0.359 in the CA_Distribution. A one unit increase in Firm age would result in an increase of 0.006 in the CA_Distribution and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Distribution. Only the coefficient of EmployeeEngagement is statistically significant at the 0.05 significance level, as the p-value is 0.007.

Model 2n

The results of the multiple regression analysis of model 2n are presented in Appendix 8. The total amount of observations is 87. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 87 observations with three independent variables is acceptable and thus results can be generalizable. Model 2n is statistically significant according to the $\text{Prob} > F = 0.026$ at the significance level of 0.05. The R^2 of 0.105 indicates that the independent variables, LocalCommunityEngagement, FirmAge and FirmSize can be used to explain about 10.5% of the variation in the dependent variable, CA_ Distribution. The coefficients indicate that one unit increase in LocalCommunityEngagement would results in an increase of 0.229 in the CA_ Distribution. A one unit increase in Firm age would result in an increase of 0.006 in the CA_ Distribution and a one unit increase in Firm size would result in an increase of 0.000 in the CA_ Distribution. Only the coefficient of LocalCommunityEngagement is statistically significant at the 0.05 significance level, as the p-value is 0.005.

Model 2o

The results of the multiple regression analysis of model 2o are presented in Appendix 8. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 2o is not statistically significant according to the Prob > F = 0.070 at the significance level of 0.05. The R² of 0.082 indicates that the independent variables, CustomerEngagement, FirmAge and FirmSize can be used to explain about 8.2% of the variation in the dependent variable, CA_Distribution. The coefficients indicate that one unit increase in CustomerEngagement would result in an increase of 0.384 in the CA_Distribution. A one unit increase in Firm age would result in an increase of 0.004 in the CA_Distribution and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Distribution.

Model 2p

The results of the multiple regression analysis of model 2p are presented in Appendix 8. The total amount of observations is 85. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 85 observations with three independent variables is acceptable and thus results can be generalizable. Model 2p is not statistically significant according to the Prob > F = 0.779 at the significance level of 0.05. The R² of 0.013 indicates that the independent variables, EnvironmentalPracticesL, FirmAge and FirmSize can be used to explain about 1.3% of the variation in the dependent variable, CA_Promotion. The coefficients indicate that one unit increase in EnvironmentalPracticesL would result in an increase of 0.041 in the CA_Promotion. A one unit increase in Firm age would result in an increase of 0.002 in the CA_Promotion and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Promotion.

Model 2q

The results of the multiple regression analysis of model 2q are presented in Appendix 8. The total amount of observations is 85. A generally accepted rule is that the ratio of observations to

independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 85 observations with three independent variables is acceptable and thus results can be generalizable. Model 2q is not statistically significant according to the Prob > F = 0.649 at the significance level of 0.05. The R² of 0.020 indicates that the independent variables, EnvironmentalPracticesO, FirmAge and FirmSize can be used to explain about 2.0% of the variation in the dependent variable, CA_Promotion. The coefficients indicate that one unit increase in EnvironmentalPracticesO would result in an increase of 0.100 in the CA_Promotion. A one unit increase in Firm age would result in an increase of 0.002 in the CA_Promotion and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Promotion.

Model 2r

The results of the multiple regression analysis of model 2r are presented in Appendix 8. The total amount of observations is 85. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 85 observations with three independent variables is acceptable and thus results can be generalizable. Model 2r is not statistically significant according to the Prob > F = 0.074 at the significance level of 0.05. The R² of 0.082 indicates that the independent variables, EmployeeEngagement, FirmAge and FirmSize can be used to explain about 8.2% of the variation in the dependent variable, CA_Promotion. The coefficients indicate that one unit increase in EmployeeEngagement would result in an increase of 0.329 in the CA_Promotion. A one unit increase in Firm age would result in an increase of 0.001 in the CA_Promotion and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Promotion.

Model 2s

The results of the multiple regression analysis of model 2s are presented in Appendix 8. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 2s is not statistically significant according to the Prob > F = 0.098 at the significance level of 0.05. The R² of 0.074 indicates that the independent variables,

LocalCommunityEngagement, FirmAge and FirmSize can be used to explain about 7.4% of the variation in the dependent variable, CA_Promotion. The coefficients indicate that one unit increase in LocalCommunityEngagement would result in an increase of 0.195 in the CA_Promotion. A one unit increase in Firm age would result in an increase of 0.002 in the CA_Promotion and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Promotion.

Model 2t

The results of the multiple regression analysis of model 2t are presented in Appendix 8. The total amount of observations is 85. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 85 observations with three independent variables is acceptable and thus results can be generalizable. Model 2t is not statistically significant according to the Prob > F = 0.229 at the significance level of 0.05. The R² of 0.052 indicates that the independent variables, CustomerEngagement, FirmAge and FirmSize can be used to explain about 5.2% of the variation in the dependent variable, CA_Promotion. The coefficients indicate that one unit increase in CustomerEngagement would result in an increase of 0.304 in the CA_Promotion. A one unit increase in Firm age would result in a decrease of 0.001 in the CA_Promotion and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Promotion.

Model 2u

The results of the multiple regression analysis of model 2u are presented in Appendix 8. The total amount of observations is 85. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 85 observations with three independent variables is acceptable and thus results can be generalizable. Model 2u is not statistically significant according to the Prob > F = 0.637 at the significance level of 0.05. The R² of 0.021 indicates that the independent variables, EnvironmentalPracticesL, FirmAge and FirmSize can be used to explain about 2.1% of the variation in the dependent variable, CA_Process. The coefficients indicate that one unit increase in EnvironmentalPracticesL would result in an increase of 0.076 in the CA_Process. A one

unit increase in Firm age would result in a decrease of 0.001 in the CA_Process and a one unit increase in Firm size would result in a decrease of 0.001 in the CA_Process.

Model 2v

The results of the multiple regression analysis of model 2v are presented in Appendix 8. The total amount of observations is 85. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 85 observations with three independent variables is acceptable and thus results can be generalizable. Model 2v is not statistically significant according to the Prob > F = 0.460 at the significance level of 0.05. The R² of 0.031 indicates that the independent variables, EnvironmentalPracticesO, FirmAge and FirmSize can be used to explain about 3.1% of the variation in the dependent variable, CA_Process. The coefficients indicate that one unit increase in EnvironmentalPracticesO would result in an increase of 0.153 in the CA_Process. A one unit increase in Firm age would result in a decrease of 0.002 in the CA_Process and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Process.

Model 2w

The results of the multiple regression analysis of model 2w are presented in Appendix 8. The total amount of observations is 85. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 85 observations with three independent variables is acceptable and thus results can be generalizable. Model 2w is not statistically significant according to the Prob > F = 0.389 at the significance level of 0.05. The R² of 0.036 indicates that the independent variables, EmployeeEngagement, FirmAge and FirmSize can be used to explain about 3.6% of the variation in the dependent variable, CA_Process. The coefficients indicate that one unit increase in EmployeeEngagement would result in an increase of 0.221 in the CA_Process. A one unit increase in Firm age would result in an increase of 0.001 in the CA_Process and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Process.

Model 2x

The results of the multiple regression analysis of model 2x are presented in Appendix 8. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 2x is not statistically significant according to the Prob > F = 0.895 at the significance level of 0.05. The R² of 0.007 indicates that the independent variables, LocalCommunityEngagement, FirmAge and FirmSize can be used to explain about 0.7% of the variation in the dependent variable, CA_Process. The coefficients indicate that one unit increase in LocalCommunityEngagement would result in a decrease of 0.013 in the CA_Process. A one unit increase in Firm age would result in an increase of 0.000 in the CA_Process and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Process.

Model 2y

The results of the multiple regression analysis of model 2y are presented in Appendix 8. The total amount of observations is 86. A generally accepted rule is that the ratio of observations to independent variables should not be below 5:1 and ideally being from 15 to 20 to one. The model with 86 observations with three independent variables is acceptable and thus results can be generalizable. Model 2y is not statistically significant according to the Prob > F = 0.683 at the significance level of 0.05. The R² of 0.018 indicates that the independent variables, CustomerEngagement, FirmAge and FirmSize can be used to explain about 1.8% of the variation in the dependent variable, CA_Process. The coefficients indicate that one unit increase in CustomerEngagement would result in an increase of 0.109 in the CA_Process. A one unit increase in Firm age would result in a decrease of 0.003 in the CA_Process and a one unit increase in Firm size would result in an increase of 0.000 in the CA_Process.

The second hypothesis “H2. *The more an internationalized SME engages in responsible business practices, the better the perceived competitive advantage of the firm*” can be also partly supported.

5 DISCUSSION AND CONCLUSIONS

This chapter discusses the key findings presented in the previous chapter, concludes the answers to the research question and its sub-questions, reflects the results to previous studies by describing the theoretical contributions, and presents practical implications. Furthermore, it presents the limitations of this research and gives suggestions for further research. Finally, the whole study is summarized.

5.1 Discussion

The aim of this research was to answer the research question and its sub-questions presented in the beginning of this study. The main research question is:

What is the impact of sustainable behavior on internationalization outcomes of SMEs?

The question was studied from different perspectives, which were presented in the sub-questions. The first sub question being:

How do responsible business practices impact international financial performance of SMEs?

In order to answer this first sub-question, one hypothesis with four sub-hypotheses were determined based on the literature on the topic. Responsible business practices were defined as ethical and sustainable actions of SMEs. These actions were divided based on different stakeholder groups: the environment, employees, customers and the local community and then studied independently. The financial performance was studied with an objective and subjective viewpoint. The objective viewpoint consisted of three different financial indicators (Operating revenue, P/L for the period, and EBITDA), which were from the accounting year 2018. The subjective viewpoint was studied through the perceptions of the respondents, who consisted mainly of CEOs, owners, founders, and sales/business development managers of Finnish SMEs. The measure consisted of items with three different viewpoints, whether the internationalization

has had a positive impact on the profitability, image and development of know-how in the company.

As most of the studies (e.g. Margolis & Walsh [2003] & Orlitzky et al. [2003]) have presented, the relationship between corporate social performance and corporate financial performance is positive. Also, in the context of SMEs for instance proactive CSR has a positive impact on the financial performance (Torugsa et al., 2012), thus the first hypothesis was presented:

Hypothesis 1. (H1) Responsible business practices are positively associated with financial performance of internationalizing SMEs.

The hypothesis was then studied through its sub-hypothesis in order to get a wider perspective, the first sub-hypothesis being: “*Hypothesis 1a. (H1a) Responsible business practices related to the environment are positively associated with financial performance of internationalizing SMEs.*” This sub-hypothesis was not supported by the findings of multiple regression analysis. The RBPs regarding environment can already be a norm already in these businesses, that they are not anymore actions that would lead to better financial performance. Especially, the operational environmental practices (minimizing the environmental impact of the firm’s activities, designing reusable products/packages, voluntarily exceeding legal environmental regulations, reusing and recycling materials) are in a high level (with mean of 5.27) within the firms studied. For instance, voluntarily exceeding legal environmental regulations might prepare and reduce risks of the SME for future legislation (Ambec & Lanoie, 2008).

The long term RBPs regarding environment (regularly conducts environmental audits, adopts measures for ecological design in products/services, implements programs to use alternative energy, implements programs to reduce water consumption, makes investments to save energy) aren’t in as high level as the operational (mean=3.92), yet they aren’t neglected either. The long-term RBPs might be seen as more costly and because of that not implemented as actively.

The second sub-hypothesis: “*Hypothesis 1b. (H1b) Responsible business practices related to employees are positively associated with financial performance of internationalizing SMEs.*” can be partly supported. The results of responsible business practices related to employees (EmployeeEngagement) and the firm growth based on operating revenue (FirmGrowthOT) was

found statistically significant. Although the model is statistically significant, neither of the coefficients are statistically significant. Moreover, the regression models of responsible business practices related to employees (EmployeeEngagement) and the firm growth based on Return on assets (ROA) using net income (FirmGrowthNI) and EBITDA (FirmGrowthET), are not statistically significant. The significance of the results is a bit questionable, as the finding of significance is based on the p-value of the regression model. The usage of p-values has been criticized (Thompson, 2006), and thus the results from these models should be also carefully considered before making any generalizations.

The responses present that the employees are receiving attention (responses with the mean of 5.53), in other words employees are listened to, supported in their careers, helped in balancing their work/free time, the importance of stable employment is recognized, there are regular trainings and the working environment is assessed on a regular basis. The working environment for the employees seems to be good and welcoming, and the probability of staying in the firm might increase due to this.

The third sub-hypothesis: “Hypothesis 1c. (H1c) Responsible business practices related to local community are positively associated with financial performance of internationalizing SMEs.” is rejected. The level of commitment towards the RBPs regarding the local community isn’t as high as with employees or the environment (mean 4.23). The news on sustainability mostly emphasize for instance the global warming, the environmental RBPs are seen as more important. Also, customers and employees are vital for the SMEs, and the local community can be seen as a bit further away from the firm’s everyday business. Slack resources might impact on not supporting sports or cultural activities in the local community or programs for the disadvantaged. Or supporting the local community doesn’t create enough visibility and enhance the reputation, which would lead to better financial performance or international profitability.

The last sub-hypothesis: “*Hypothesis 1d. (H1d) Responsible business practices related to customers are positively associated with financial performance of internationalizing SMEs.*” is also rejected. The level of commitment to RBPs related to customers is definitely the highest (the mean being 6.24). This is not a surprise, as without customers there wouldn’t be any business. The RBPs measured meeting the commitments with quality and fair price, informing customers about the proper use of their products and warnings of potential risks, taking

measures to prevent customer complaints, and responding to customer complaints or inquiries. As the level is already high, probably it is hard to differentiate by investing in customers, and thus it will not show as a positive financial outcome. Next, the second sub research question will be covered.

How do responsible business practices impact the competitive advantages of internationalizing SMEs?

In order to answer this second sub-question, the second hypothesis was created: “*Hypothesis 2. (H2) The more an internationalized SME engages in responsible business practices, the better the perceived competitive advantage of the firm.*” This can be partly supported. Although, the majority of the models were not statistically significant, some of the results gave supportive results. Any of the RBPs implemented didn’t result in perceptions of having a competitive advantage of products, promotion and processes. But the results of RBPs regarding employees and customers lead to perceiving quality as a competitive advantage and the RBPs regarding operational environmental practices, employees and the local community lead to perceiving distribution as competitive advantage.

The reason, why the implementation of RBPs didn’t lead to a competitive advantage in the products or the promotion could be if the SMEs studied have not specifically invested in sustainable products, that would lead to a competitive advantage and thus the level of RBPs doesn’t correlate to the competitive advantage. The SMEs might pursue other strategies in order to gain competitive advantage over their products. The implementation of RBPs might not be visible either in the processes of the SMEs. Either the SMEs might not have strict processes such as larger firms or RBPs are not much related to the processes the SMEs have.

Implementing RBPs regarding the employees might impact the quality. If the employees are satisfied with their work and working environment and encouraged in their work, the quality of their work may be better and thus enhance the quality of the firm. Also, implementing RBPs regarding the customers, can keep the customers more content and as regular customers, which enables the firm to use resources for further innovation, as the cash flow is stable. The innovations may lead to better quality.

Distribution was perceived as competitive advantage, when implementing RBPs regarding operational environmental practices, employees and the local community lead to perceiving distribution as competitive advantage. The employees and the local community can be explained with a people-perspective. The networks that these SMEs create are key factors in the distribution. As SMEs might not have wide networks, the local community around the business is an easy approach for growing networks.

5.2 Conclusions

The answer to the first sub research question “How do responsible business practices impact international financial performance of SMEs?” is that the impact is really small, almost non-existent. The findings are contradictory to the majority of findings presented in previous studies (Dixon-Fowler, 2013; Orlitzky et al., 2003) on the relationship between CSP and CFP. Overall the level of for instance environmental performance is quite high in Finland for instance, when looking at the Environmental Performance Index (Yale University 2020). The level of sustainability may be at a level that implementing RBPs doesn’t lead to any financial benefits. The means of the responses reflect the high level of commitment to RBPs in all stakeholder groups. As the only partly supported sub-hypothesis was on the RBPs regarding employees and firm growth based on operating revenue, it can refer to the fact that employees are seen as the most important stakeholder (Hammann et al., 2009).

As Finland’s corruption index is quite high meaning that the level of corruption is rather low (Trading Economics 2020), it creates an environment, where firms behave more ethically. SMEs are obeying the laws and regulations concerning for instance the environment and have a sense of duty towards RBPs rather than they would be forced to do so. Furthermore, the majority of the studies that present a positive relationship between CSP and CFP have been done over five years ago. As the world changes quite rapidly due to new technology, the business scene is also affected by it. For instance, the innovations regarding sustainability that gave a competitive advantage and financial benefits five years ago, might be already an everyday practice for almost all companies.

The answer to the second sub research question “How do responsible business practices impact the competitive advantages of internationalizing SMEs?” is that the RBPs regarding employees

and customers lead to perceiving quality as a competitive advantage and the RBPs regarding operational environmental practices, employees and the local community lead to perceiving distribution as competitive advantage. There seems to be a small possibility of getting a competitive advantage by implementing RBPs related to the previously mentioned stakeholder groups. The results of the hypotheses are also presented in Figure 6, a revised theoretical framework demonstrating the partly supported hypotheses. The theoretical contributions will be discussed in the next subchapter.

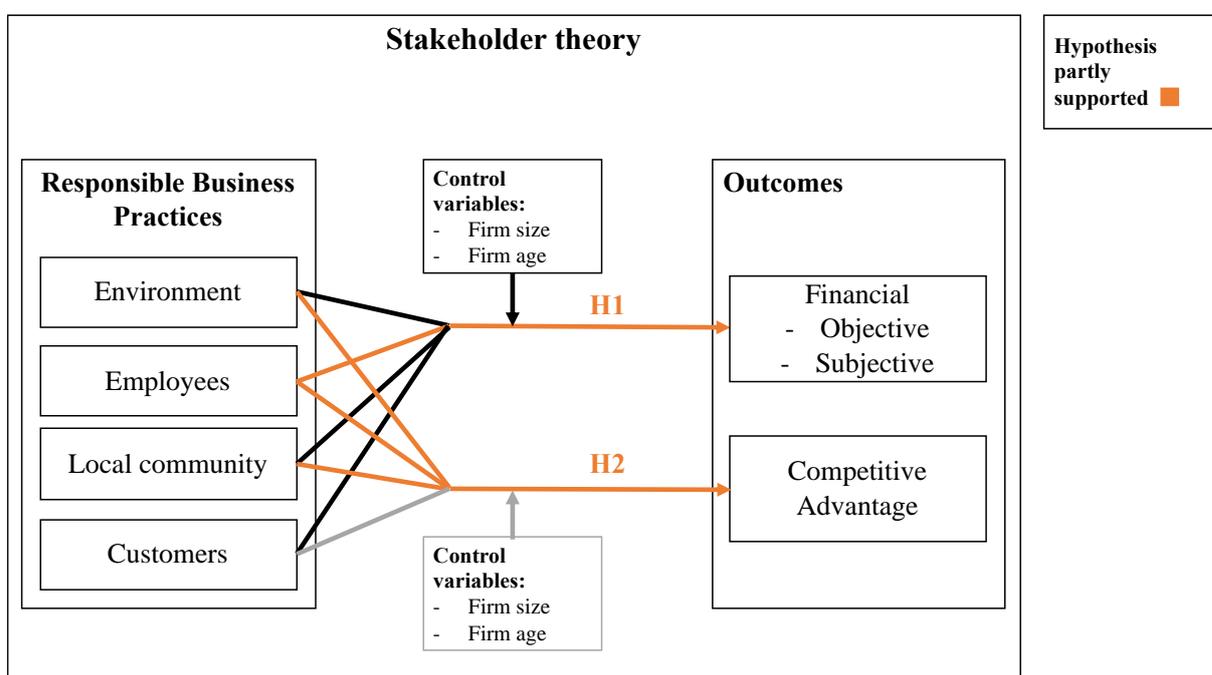


Figure 6 Revised theoretical framework

5.3 Theoretical contributions

There is a clear research gap of the implications of responsible business practices in the outcomes and financial performance of internationalizing SMEs. This study tries to narrow the gap by studying it from Finnish SME perspective and contributes to the contradicting results of previous studies on CSP and CFP.

Contrary to the majority of findings of CEP and CFP (Dixon-Fowler, 2013; Orlitzky et al., 2003), the responsible business practices regarding the environment are not positively associated with financial performance of internationalizing SMEs in the Finnish context. On

the other hand, the results align with the findings of Stoian & Gilman (2017) that the practices related to environment do not contribute to firm growth. Also, the doubts of getting a business case from the implementation of environmental practices in the study of Revell & Blackburn (2007) can be comprehended.

According to Nielsen & Thomsen (2009) investing in employees is seen as beneficial in the long run. The results from this study might indicate that these companies are going to the right direction, and possibly the investment to their employees cannot be seen yet in the financials of the year 2018, but maybe in the future if it's seen as a long-term investment. On the other hand, investing in the employees might be a key for innovation and differentiation (Stoian & Gilman, 2017), and maybe creates a competitive advantage. The results align with the fact that implementing RBPs regarding employees will rather make the SME grow than collapse (Stoian & Gilman, 2017).

As mentioned by Besser & Miller (2001) implementing RBPs regarding the local community is not seen as harmful, yet in this case it was not financially beneficial either. Stoian & Gilman (2017) argued for a faster firm growth when implementing CSR activities related to local community. This study did not prove growth and thus leads to contradicting results. The RBPs regarding the local community didn't lead to increased economic value, so the role of firm's reputation didn't enhance it, as was the case was in the study of Hammann et al. (2009).

Although there are several viewpoints on the benefits of what would lead to positive impact on the outcomes of SMEs, when implementing RBPs related to customers (Hammann et al., 2009), that is not detected in this study. For instance, increased customer satisfaction might not be solely impacting a better financial outcome. Also, the results might reflect that customers are not seen as the most important stakeholders and social responsibility isn't part of firm's strategy, as suggested by Iturrioz et al. (2009). This might also mean that these SMEs implement "silent CSR" (Jenkins, 2004) and thus their input is not noticeable in their responses.

The results for the second hypothesis present similar findings as Martínez-Martínez et al. (2017) as the RBPs related to employees and customers were perceived as creating a competitive advantage in terms of quality. Also, the RBPs related to employees were perceived as a competitive advantage in terms of distribution. These results demonstrate that investing in

employees might lead to the possibility of keeping good employees in the firm and thus create a competitive advantage. This aligns with the findings of Perrini & Minoja (2008).

As the hypothesis 2 can be partly supported, it demonstrates that even though an SME might have resource constraints, some characteristics may still lead to gaining competitive advantage (Torugsa et al., 2012). Furthermore, as the hypothesis is only partly supported, it can be explained with the vulnerability of strategic and operation decisions made today, but also it is possible that it will impact the firm's long-term success (Avram & Kühne, 2008).

The research of the relationship of CSR and profitability has received criticism, because of not using a measure of firm-level investment in research and development (R&D). McWilliams & Siegel (2000) argue, that if strategic variables, such as R&D intensity, isn't taken into consideration, the impact of CSR on the profitability is hard to isolate. (McWilliams & Siegel 2000). Another challenge with this study has been, that as the terminology of CSR concerning SMEs is so vast, and there are no specific well-known methods for measuring it. In addition, the "silent CSR" and the detection of RBPs may be challenging, when studying SMEs.

To sum up, although this study didn't demonstrate much positive impact on SMEs financial bottom line, resource constraints cannot be used to explain, why an SME shouldn't implement RBPs. Also, the implementation of RBPs regarding employees can lead to innovation and differentiation as well as the implementation of RBPs regarding the environment, employees, customers and the local community may lead to a competitive advantage. The practical implications for SMEs will be discussed next.

5.4 Practical implications

Although the results didn't give much proof to the positive impacts of RBPs to the bottom line, the findings didn't show any negative correlation either. In other words, if an SME implements RBPs it doesn't lead to any decrease of financial outcomes. The values and ethical opinions of SME owner-managers/managers play a crucial role on the implementation of RBPs. When small responsible actions are implemented, whether it's from individuals, SMEs or MNCs, the impact on the overall sustainability of the world will grow. Sustainability should be everyone's responsibility, also of SME's. Although the level of RBPs was quite high among the SMEs

studied, there is still room for improvement. That's why SMEs should consider implementing RBPs even with small increments and thus create a more sustainable world.

As there is a possibility of getting a competitive advantage, implementing RBPs especially regarding employees, should be definitely considered. The implementation of RBPs regarding the environment may also create a competitive advantage, and thus is not only beneficial for the environment but also for the SME. The implementation of environmental RBPs of course leads to minimizing the effects of global warming, which on the other hand enables more years for businesses to grow.

In addition, as there is a possibility of getting a competitive advantage by implementing RBPs regarding customers, SMEs should also consider this. If investing in customers can create a competitive advantage of quality, it can later on bring also better financial outcomes. Also, the implementation of RBPs may lead to a better reputation and create new opportunities. All in all, implementing RBPs should not be only considered because of the financial outcomes or the competitive advantage but also because of all the good it can create for the environment and the people living in this planet.

5.5 Limitations and future research

Some studies state that proactive responsible business practices can lead to better performance (e.g. Aragón-Correa et al. 2008, Torugsa et al. 2012). The responsible business practices in this study were not divided to proactive and reactive practices, thus no conclusions can be made whether the firms have been either proactive or reactive and whether it has had an impact on their outcomes. The division between proactive and reactive RBPs impacting on the financial bottom line would be an interesting research path in the future.

Stoian & Gilman (2017) argued for a faster growth of SMEs when implementing CSR activities that are related to the local community. The pace of internationalization was left out of this study and could be a future research path. According to Servaes & Tamayo (2013) firm's reputation should be aligned with its CSR activities and the customer awareness should be high in order to have a positive relationship of CSR and firm value. Reputation was not measured in

this study but would be an interesting avenue for future research. Does a sustainable reputation impact firm's value?

In addition, the role of business system frameworks (e.g. ISO 9001:2000) was left out of this study but has been studied in the context of UK based SME (Castka et al., 2004). These business system frameworks seem to be more common in the context of MNCs and thus creates an interesting topic for further research also in other countries. Also, as sustainability reporting is more common among MNCs, it would be interesting to find out, whether the reporting of SMEs has an impact on their reputation and on their financial bottom line.

Other interesting topics for further research include the drivers leading to and barriers preventing internationalizing SMEs of the implementation of RBPs. Are there specific drivers leading to the implementation of RBPs towards a specific stakeholder group? What kind of barriers prevent SMEs to implement RBPs? Does the institutional context impact the implementation of RBPs? Also, the role of business models and business model innovation would be interesting. Do they mediate the impact of an SME implementing RBPs?

5.6 Summary

This study started with an introduction to the topic, presented the background and the research gap. The research question with two sub-questions were presented, following by a preliminary literature review, which presented the topics further discussed in Chapter 2, Literature review. The aim of the study was to understand what the impact of sustainable behavior on internationalization outcomes of SMEs is. The research question was looked at from two different viewpoints, the financial outcomes as well as competitive advantage perceived by the SME. The literature review in Chapter 2 presents then the most important previous studies linked to the subjects of international entrepreneurship, SME internationalization, sustainability, sustainability in international business as well as among SMEs. Also, the hypotheses assumed to answer the research questions are presented. The literature review ends in a revised theoretical framework of this study.

Chapter 3 presented the research design, including the context, the methods used, the measures as well as the reliability and the validity of the measures. The research was done on a sample

of 210 internationally operating small- and medium-sized enterprises (SMEs) from Finland. Multiple regression analyses were performed, and data was analyzed with the Stata program. Chapter 4 presents the results from the regression analyses, following the order of the hypotheses presented in the literature review. The last chapter of this thesis, Chapter 5, concludes the main findings based on the results of Chapter 4. The main findings indicate that the implementation of RBPs regarding employees can lead to better operating turnover. Furthermore, implementing RBPs does not lead to financial losses. The RBPs regarding environment, employees and the local community can lead to a competitive advantage. The theoretical contributions are presented as well as the practical implications for SME owners/owner-managers/managers. Lastly, the limitations of this study and future research areas are presented.

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APPENDICES

APPENDIX 1 – OUTLIERS

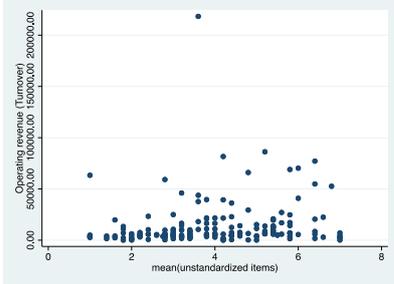


Figure 7 Scatterplot of Operating revenue Turnover and Environmental Practices L

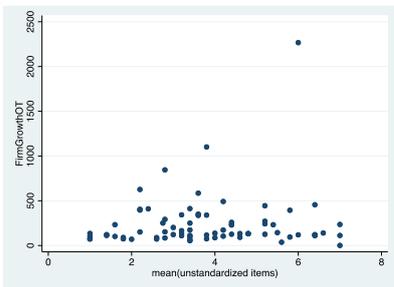


Figure 8 Scatterplot of Firm Growth OT and Environmental Practices L

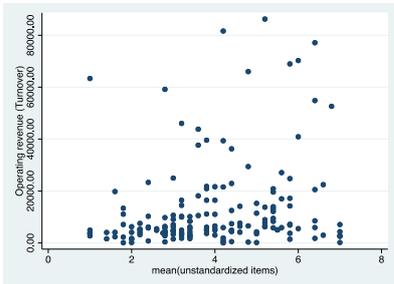


Figure 9 Scatterplot of Operating revenue Turnover and Environmental Practices L without outlier value

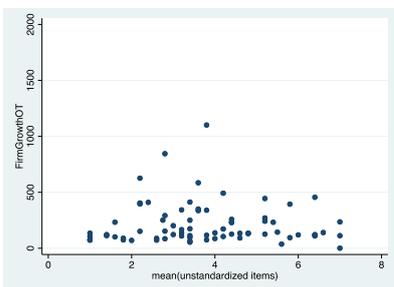


Figure 10 Scatterplot of Firm Growth OT and Environmental Practices L without outlier value

APPENDIX 2 – FACTOR ANALYSES

Table 10 Employee related RBP's

Indicate your level of agreement with the following statements about practices related to employees (1=completely disagree, 7= completely agree) (In) my company:				
Item	Item description	Rotated factor loadings	Communality	Kaiser's measure of
EmployeeEngagement1	employees' interests are taken into account in company decision-making	0.839	0.704	0.893
EmployeeEngagement2	support employees who wish to continue or upgrade their education/training	0.889	0.790	0.853
EmployeeEngagement3	help the employees find suitable work/life balance (flexible working hours)	0.793	0.629	0.905
EmployeeEngagement4	recognizes the importance of stable employment for your employees and society (in the local area)	0.845	0.714	0.900
EmployeeEngagement5	develop/implement regular training programmes	0.769	0.592	0.868
EmployeeEngagement6	assess employees work/labour environment on a regular basis	0.788	0.621	0.877
	Eigenvalue	4.050		
	Cum.%	0.675		
	Cronbach α	0.898		

Table 11 Local community related RBP's

Indicate your level of agreement with the following statements about practices related to local community (1=completely disagree, 7= completely agree) My company:				
Item	Item description	Rotated factor loadings	Communality	Kaiser's measure of
LocalCommunityEngagement1	incorporates/includes local community interests in company decision making	0.781	0.610	0.865
LocalCommunityEngagement2	support sports or cultural activities in the local community	0.797	0.635	0.852
LocalCommunityEngagement3	maintain clear relations with local government authorities	0.770	0.593	0.761
LocalCommunityEngagement4	considers itself to be part of the local community and therefore cares about its development/local impact or the improvement of the local infrastructure	0.866	0.749	0.758
LocalCommunityEngagement5	support programmes for the disadvantaged	0.753	0.567	0.860
	Eigenvalue	3.154		
	Cum.%	0.631		
	Cronbach α	0.849		

Table 12 Customer related RBP's

Indicate your level of agreement with the following statements about practices related to customers (1=completely disagree, 7= completely agree) My company:				
Item	Item description	Rotated factor loadings	Communality	Kaiser's
CustomerEngagement1	meets its commitments with quality and fair price	0.848	0.719	0.844
CustomerEngagement2	inform customers about the proper use of their products and warnings of potential risks	0.781	0.610	0.902
CustomerEngagement3	take measures to prevent customer complaints	0.925	0.856	0.714
CustomerEngagement4	respond to customer complaints or inquiries	0.867	0.752	0.767
	Eigenvalue	2.937		
	Cum.%	0.734		
	Cronbach α	0.867		

Table 13 International profitability, subjective

What do you think of the following statements concerning the international profitability of your company? (1=strongly disagree, 7=strongly agree)				
Item	Item description	Rotated factor loadings	Communality	Kaiser's measure of sampling adequacy
Intper1	Internationalisation has had a positive effect on the profitability of our company	0.816	0.666	0.838
Intper2	Internationalisation has had a positive effect on the image of our company	0.910	0.829	0.649
Intper3	Internationalisation has had a positive effect on the development of our know-how	0.902	0.814	0.659
	Eigenvalue	2.308		
	Cum.%	0.769		
	Cronbach α	0.824		

APPENDIX 3 – FACTOR ANALYSES WITH FINANCIAL VARIABLES

Financial measures in the year 2018					
Item	Item description	Rotated factor loadings		Communality	Kaiser's measure of sampling adequacy
		Factor 1	Factor 2		
OperatingrevenueTurnoverth	Operating revenue	0.945		0.893	0.500
EBITDAthEUR2018	EBITDA	0.945		0.893	0.500
	Eigenvalue	1.785			
	Cum.%	0.893			
	Cronbach α	0.304			

Financial measures in the year 2018					
Item	Item description	Rotated factor loadings		Communality	Kaiser's measure of sampling adequacy
		Factor 1	Factor 2		
PLforperiodNetIncometh	P/L for the period	0.963		0.927	0.500
EBITDAthEUR2018	EBITDA	0.963		0.927	0.500
	Eigenvalue	1.855			
	Cum.%	0.927			
	Cronbach α	0.848			

Financial measures in the year 2018					
Item	Item description	Rotated factor loadings		Communality	Kaiser's measure of sampling adequacy
		Factor 1	Factor 2		
OperatingrevenueTurnoverth	Operating revenue	0.885		0.784	0.776
PLforperiodNetIncometh	P/L for the period	0.915		0.838	0.696
EBITDAthEUR2018	EBITDA	0.959		0.919	0.622
	Eigenvalue	2.541			
	Cum.%	0.847			
	Cronbach α	0.326			

Standardized financial measures in the year 2018					
Item	Item description	Rotated factor loadings		Communality	Kaiser's measure of sampling adequacy
		Factor 1	Factor 2		
z_OperatingrevenueTurnoverth	Operating revenue		0.918	0.853	0.527
z_PLforperiodNetIncometh	P/L for the period		0.867	0.861	0.533
z_Profitmargin2018_n	Profit margin	0.953		0.927	0.480
z_ROAusingNetincome2018	ROA using Net income	0.876		0.770	0.879
z_EBITDAMargin2018	EBITDA Margin	0.941		0.917	0.455
z_EBITDAthEUR2018	EBITDA		0.940	0.922	0.425
	Eigenvalue	3.353	1.895		
	Cum.%	0.559	0.875		
	Cronbach α	0.898	0.326		

APPENDIX 4 - CRONBACH'S ALPHA

Table 14 Cronbach's alpha results of RBP factors EnvironmentalPracticesL, EnvironmentalPracticesO, EmployeeEngagement, LocalCommunityEngagement and CustomerEngagement

Item	Obs	item-test corr.	item-rest corr.	interitem cov.	alpha
EnvironmentalPracticesL					
EnvironmentalPractices4	203	0.776	0.629	0.557	0.834
EnvironmentalPractices6	204	0.779	0.641	0.558	0.835
EnvironmentalPractices7	202	0.857	0.762	0.504	0.802
EnvironmentalPractices8	201	0.839	0.733	0.517	0.811
EnvironmentalPractices9	205	0.739	0.580	0.587	0.851
Test scale				0.545	0.857
EnvironmentalPracticesO					
EnvironmentalPractices1	207	0.78	0.617	1.057	0.750
EnvironmentalPractices2	201	0.84	0.691	0.895	0.712
EnvironmentalPractices3	205	0.77	0.570	1.055	0.775
EnvironmentalPractices5	205	0.78	0.582	1.004	0.769
Test scale				1.002	0.801
EmployeeEngagement					
EmployeeEngagement1	209	0.828	0.749	0.932	0.877
EmployeeEngagement2	209	0.875	0.818	0.910	0.867
EmployeeEngagement3	209	0.781	0.691	0.982	0.885
EmployeeEngagement4	208	0.831	0.755	0.941	0.877
EmployeeEngagement5	208	0.802	0.680	0.883	0.892
EmployeeEngagement6	208	0.808	0.706	0.913	0.884
Test scale				0.927	0.898
LocalCommunityEngagement					
LocalCommunityEngagement1	205	0.767	0.648	1.610	0.822
LocalCommunityEngagement2	208	0.805	0.667	1.447	0.817
LocalCommunityEngagement3	206	0.778	0.626	1.498	0.827
LocalCommunityEngagement4	207	0.848	0.730	1.366	0.792
LocalCommunityEngagement5	206	0.754	0.616	1.590	0.829
Test scale				1.502	0.849
CustomerEngagement					
CustomerEngagement1	208	0.842	0.719	0.572	0.829
CustomerEngagement2	207	0.824	0.637	0.542	0.880
CustomerEngagement3	208	0.907	0.830	0.517	0.787
CustomerEngagement4	208	0.843	0.737	0.599	0.827
Test scale				0.557	0.867

Table 15 Cronbach's alpha results of Competitive Advantage factors CA_Product, CA_Quality, CA_Distribution, CA_Promotion, CA_Process

Item	Obs	item-test corr.	item-rest corr.	interitem cov.	alpha
CA_Product					
CompetitiveAdvantage5	198	0.752	0.559	1.095	0.814
CompetitiveAdvantage6	195	0.823	0.665	0.939	0.770
CompetitiveAdvantage7	197	0.871	0.733	0.830	0.737
CompetitiveAdvantage8	197	0.799	0.646	1.050	0.784
Test scale				0.978	0.824
CA_Quality					
CompetitiveAdvantage1	198	0.682	0.480	0.491	0.731
CompetitiveAdvantage3	198	0.774	0.640	0.448	0.681
CompetitiveAdvantage4	197	0.755	0.620	0.467	0.689
CompetitiveAdvantage19	196	0.690	0.440	0.481	0.756
CompetitiveAdvantage21	195	0.720	0.517	0.458	0.720
Test scale				0.469	0.758
CA_Distribution					
CompetitiveAdvantage2	198	0.666	0.466	0.875	0.690
CompetitiveAdvantage9	197	0.751	0.488	0.695	0.679
CompetitiveAdvantage15	195	0.808	0.618	0.594	0.594
CompetitiveAdvantage16	193	0.738	0.488	0.726	0.679
Test scale				0.722	0.724
CA_Promotion					
CompetitiveAdvantage12	197	0.666	0.439	0.945	0.729
CompetitiveAdvantage13	197	0.787	0.578	0.702	0.654
CompetitiveAdvantage14	196	0.834	0.669	0.619	0.597
CompetitiveAdvantage20	196	0.710	0.462	0.860	0.721
Test scale				0.781	0.739
CA_Process					
CompetitiveAdvantage17	195				
CompetitiveAdvantage18	194				
Test scale				0.591	0.548

Table 16 Summary of Cronbach's alpha analysis of Factor 1 of Perceived international profitability

Item	Obs	item-test cor	item-rest cor	interitem co	alpha
Intper1	193	0.87	0.627	1.295	0.875
Intper2	193	0.88	0.756	1.355	0.702
Intper3	190	0.87	0.737	1.455	0.725
Test scale				1.369	0.824

APPENDIX 5 – PROBABILITY OF RESIDUALS

Histograms and normal probability plots of residuals

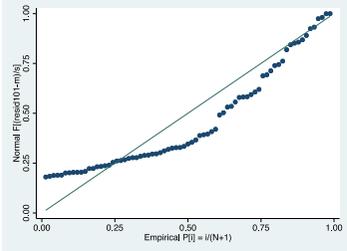
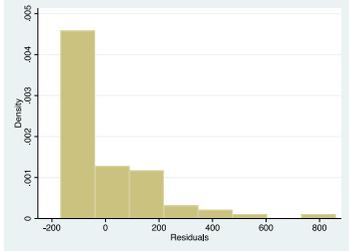


Figure 11 Histogram of FirmGrowthOT residuals (model 1a) Figure 12 Normal probability plot of FirmGrowthOT residuals (model 1a)

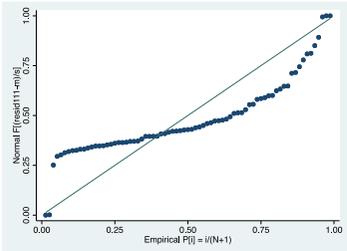
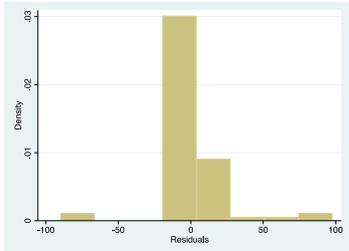


Figure 13 Histogram of FirmGrowthNI residuals (model 1a2) Figure 14 Normal probability plot of FirmGrowthNI residuals(model 1a2)

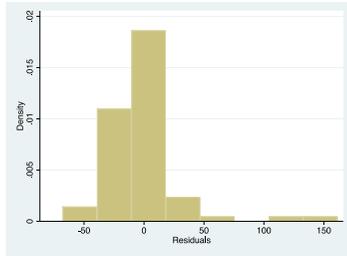


Figure 15 Histogram of FirmGrowthNI residuals (model 1a3)

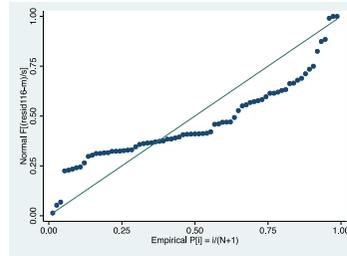


Figure 16 Normal probability plot of FirmGrowthNI residuals (model 1a3)

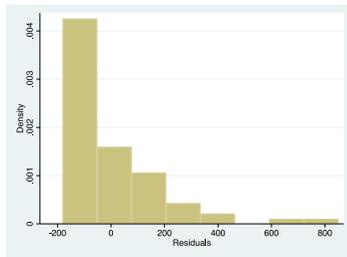


Figure 17 Histogram of FirmGrowthOT residuals (model 1b)

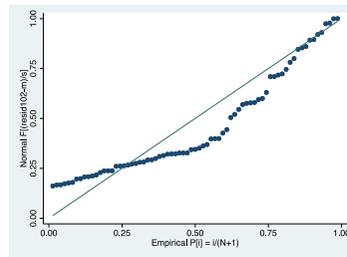


Figure 18 Normal probability plot of FirmGrowthOT residuals (model 1b)

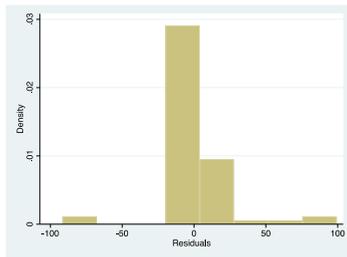


Figure 19 Histogram of FirmGrowthNI residuals (model 1b2)

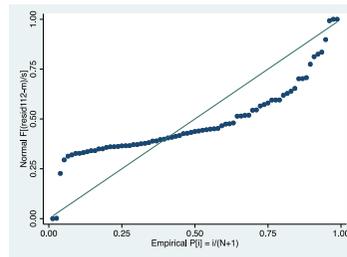


Figure 20 Normal probability plot of FirmGrowthNI residuals (model 1b2)

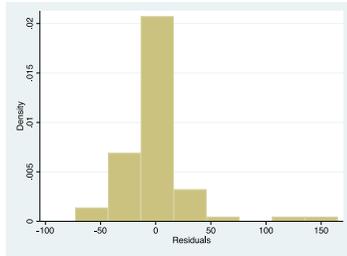


Figure 21 Histogram of FirmGrowthET residuals (model 1b3)

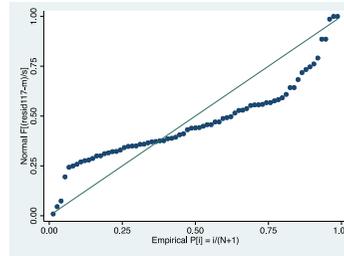


Figure 22 Normal probability plot of FirmGrowthET residuals (model 1b3)

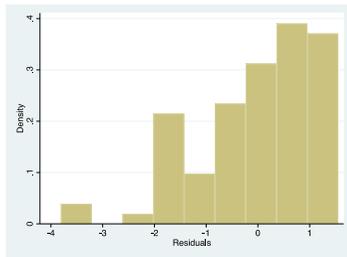


Figure 23 Histogram of Intper_S residuals (model 1c)

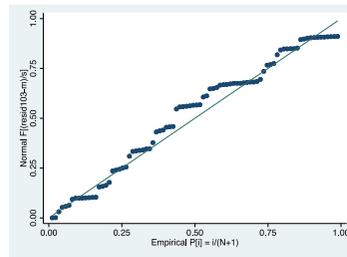


Figure 24 Normal probability plot of Intper_S residuals (model 1c)

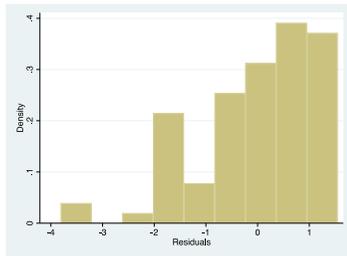


Figure 25 Histogram of Intper_S residuals (model 1d)

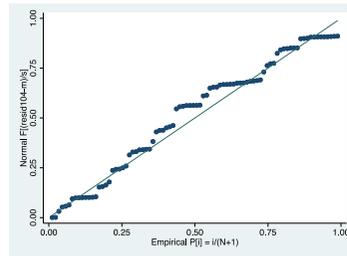


Figure 26 Normal probability plot of Intper_S residuals (model 1d)

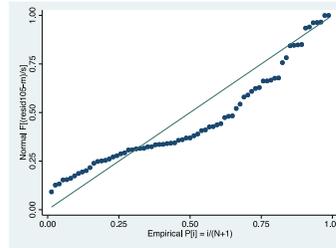
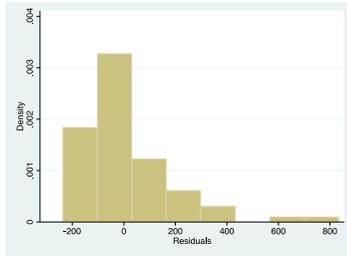


Figure 27 Histogram of EmployeeEngagement residuals (model 1e) Figure 28 Normal probability plot of EmployeeEngagement residuals (model 1e)

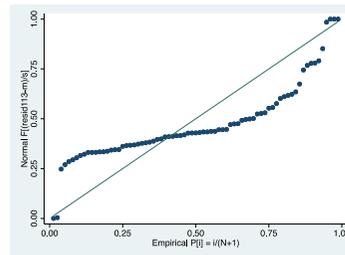
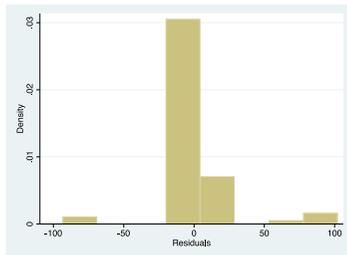


Figure 29 Histogram of EmployeeEngagement residuals (model 1e2) Figure 30 Normal probability plot of EmployeeEngagement residuals (model 1e2)

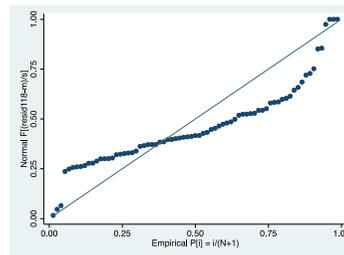
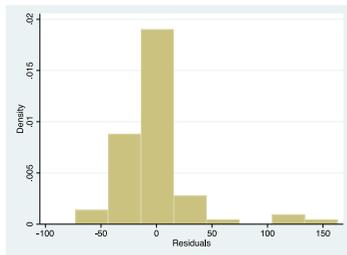


Figure 31 Histogram of EmployeeEngagement residuals (model 1e3)

Figure 32 Normal probability plot of EmployeeEngagement residuals (model 1e3)

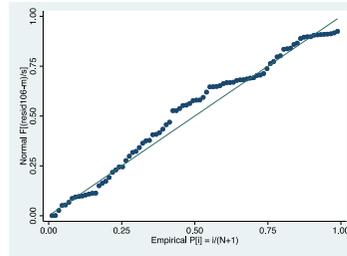
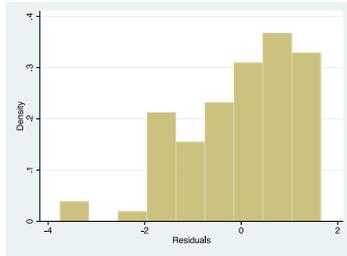


Figure 33 Histogram of EmployeeEngagement residuals (model 1f) Figure 34 Normal probability plot of EmployeeEngagement residuals (model 1f)

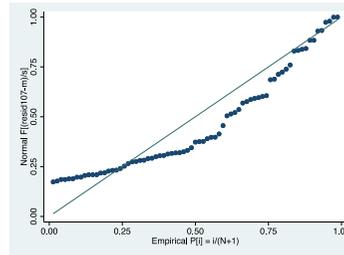
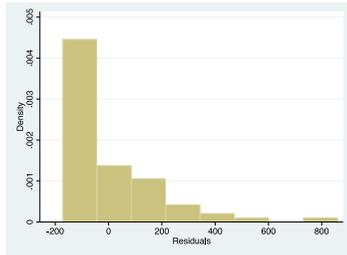


Figure 35 Histogram of LocalCommunityEngagement residuals (model 1g) Figure 36 Normal probability plot of LocalCommunityEngagement residuals (model 1g)

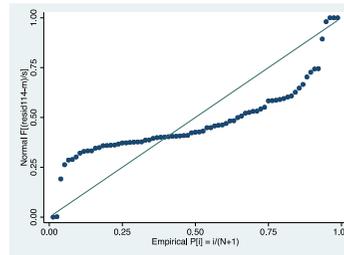
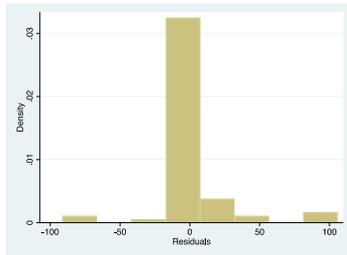


Figure 37 Histogram of LocalCommunityEngagement residuals (model 1g2) Figure 38 Normal probability plot of LocalCommunityEngagement residuals (model 1g2)

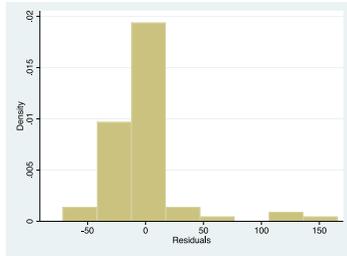


Figure 39 Histogram of LocalCommunityEngagement residuals (model 1g3)

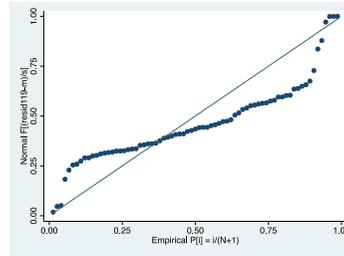


Figure 40 Normal probability plot of LocalCommunityEngagement residuals (model 1g3)

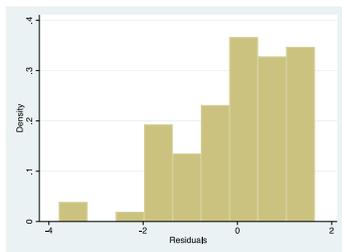


Figure 41 Histogram of LocalCommunityEngagement residuals (model 1h)

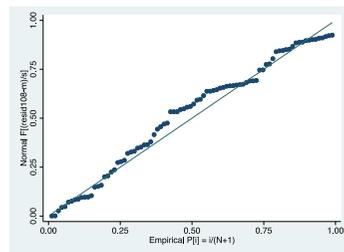


Figure 42 Normal probability plot of LocalCommunityEngagement residuals (model 1h)

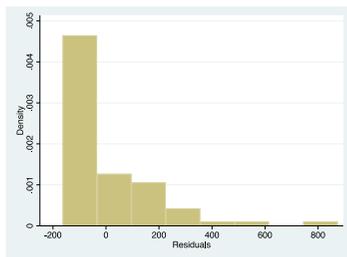


Figure 43 Histogram of CustomerEngagement residuals (model 1i)

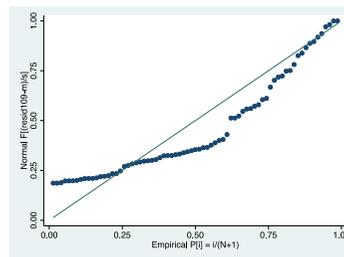


Figure 44 Normal probability plot of CustomerEngagement residuals (model 1i)

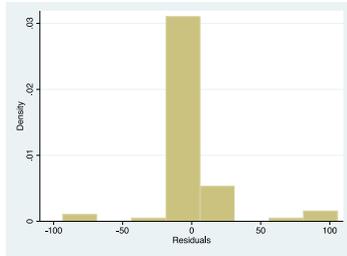


Figure 45 Histogram of CustomerEngagement residuals (model 1i2)

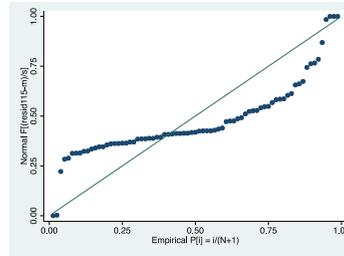


Figure 46 Normal probability plot of CustomerEngagement residuals (model 1i2)

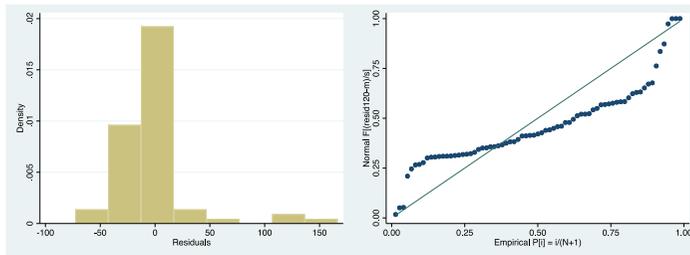


Figure 47 Histogram of CustomerEngagement residuals (model 1i3)



Figure 48 Normal probability plot of CustomerEngagement residuals (model 1i3)

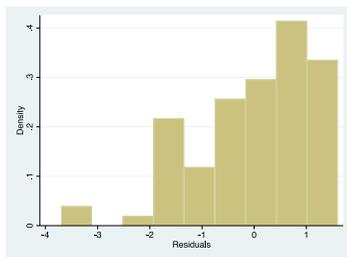


Figure 49 Histogram of CustomerEngagement residuals (model 1j)

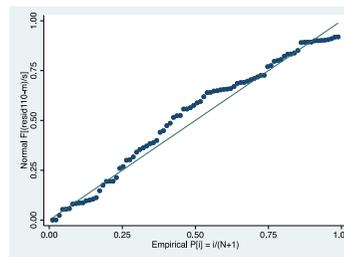


Figure 50 Normal probability plot of CustomerEngagement residuals (model 1j)

APPENDIX 6 – REGRESSION MODELS HYPOTHESIS 1

Table 17 Regressions of first hypothesis

		Dependent variable: FirmGrowthOT					Dependent variable: FirmGrowthNI					Dependent variable: FirmGrowthET								
Model 1a		Coefficient	Standard error	t-value	P> t	β	Model 1a2		Coefficient	Standard error	t-value	P> t	β	Model 1a3		Coefficient	Standard error	t-value	P> t	β
Explanatory variable	EnvironmentalPracticesL	4.223	13.987	0.300	0.764	0.037	EnvironmentalPracticesL	1.055	1.791	0.590	0.558	0.072	EnvironmentalPracticesL	2.603	2.416	1.080	0.285	0.132		
Control variable	Firm age	-1.862	1.202	-1.550	0.126	-0.189	Firm age	0.061	0.154	0.400	0.693	0.048	Firm age	-0.019	0.203	-0.090	0.926	-0.011		
Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²
Model estimation		73	1.21	0.305	0.033	0.006	Model estimation		75	0.34	0.716	0.009	-0.018	Model estimation		73	0.6	0.554	0.017	-0.011
Model 1b		Coefficient	Standard error	t-value	P> t	β	Model 1b2		Coefficient	Standard error	t-value	P> t	β	Model 1b3		Coefficient	Standard error	t-value	P> t	β
Explanatory variable	EnvironmentalPracticesO	-15.863	22.399	-0.710	0.481	-0.084	EnvironmentalPracticesO	0.754	2.901	0.260	0.796	0.031	EnvironmentalPracticesO	3.038	3.882	0.780	0.436	0.094		
Control variable	Firm age	-1.642	1.165	-1.410	0.163	-0.167	Firm age	0.080	0.151	0.530	0.597	0.063	Firm age	0.018	0.199	0.090	0.930	0.011		
Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²
Model estimation		73	1.42	0.249	0.039	0.012	Model estimation		75	0.2	0.823	0.005	-0.022	Model estimation		73	0.32	0.726	0.009	-0.019
Model 1c		Coefficient	Standard error	t-value	P> t	β	Model 1c2		Coefficient	Standard error	t-value	P> t	β	Model 1c3		Coefficient	Standard error	t-value	P> t	β
Explanatory variable	EmployeeEngagement	-52.767	27.832	-1.900	0.062	-0.221	EmployeeEngagement	3.106	4.147	0.750	0.456	0.090	EmployeeEngagement	2.453	5.295	0.460	0.645	0.056		
Control variable	Firm age	-2.210	1.134	-1.950	0.055	-0.227	Firm age	0.014	0.169	0.080	0.936	0.010	Firm age	-0.066	0.221	-0.300	0.768	-0.036		
Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²
Model estimation		73	3.14	0.050	0.082	0.056	Model estimation		75	0.28	0.755	0.008	-0.020	Model estimation		73	0.18	0.833	0.005	-0.023
Model 1g		Coefficient	Standard error	t-value	P> t	β	Model 1g2		Coefficient	Standard error	t-value	P> t	β	Model 1g3		Coefficient	Standard error	t-value	P> t	β
Explanatory variable	LocalCommunityEngagement	-1.782	17.038	-0.100	0.917	-0.012	LocalCommunityEngagement	-1.392	2.494	-0.560	0.579	-0.066	LocalCommunityEngagement	-0.835	3.237	-0.260	0.797	-0.031		
Control variable	Firm age	-1.784	1.146	-1.560	0.124	-0.183	Firm age	-0.001	0.167	-0.010	0.996	-0.001	Firm age	-0.075	0.218	-0.350	0.731	-0.041		
Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²
Model estimation		73	1.23	0.299	0.034	0.006	Model estimation		75	0.16	0.856	0.004	-0.023	Model estimation		73	0.1	0.908	0.003	-0.026
Model 1i		Coefficient	Standard error	t-value	P> t	β	Model 1i2		Coefficient	Standard error	t-value	P> t	β	Model 1i3		Coefficient	Standard error	t-value	P> t	β
Explanatory variable	CustomerEngagement	-16.420	31.358	-0.520	0.602	-0.062	CustomerEngagement	0.582	4.580	0.130	0.899	0.015	CustomerEngagement	-1.445	5.898	-0.250	0.807	-0.029		
Control variable	Firm age	-1.774	1.220	-1.450	0.151	-0.171	Firm age	0.011	0.177	0.060	0.951	0.007	Firm age	-0.054	0.233	-0.230	0.818	-0.028		
Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²
Model estimation		73	1.2	0.307	0.033	0.006	Model estimation		75	0.01	0.990	0.000	-0.028	Model estimation		73	0.06	0.946	0.002	-0.027

Table 18 Regressions of first hypothesis

		Dependent variable: Intper_S				
Model 1c		Coefficient	Standard error	t-value	P> t 	β
Explanatory variable	EnvironmentalPracticesL	0.003	0.084	0.040	0.972	0.004
Control variables	Firm age	-0.001	0.007	-0.190	0.850	-0.022
	Firm size	0.001	0.001	0.900	0.371	0.104
Model estimation		N	F	Prob > F	R²	Adj. R²
		86	0.28	0.841	0.010	-0.026
Model 1d		Coefficient	Standard error	t-value	P> t 	β
Explanatory variable	EnvironmentalPracticesO	-0.009	0.131	-0.070	0.945	-0.008
Control variables	Firm age	-0.001	0.007	-0.180	0.856	-0.021
	Firm size	0.001	0.001	0.910	0.363	0.105
Model estimation		N	F	Prob > F	R²	Adj. R²
		86	0.28	0.840	0.010	-0.026
Model 1f		Coefficient	Standard error	t-value	P> t 	β
Explanatory variable	EmployeeEngagement	0.078	0.160	0.490	0.626	0.054
Control variables	Firm age	-0.001	0.007	-0.130	0.898	-0.015
	Firm size	0.001	0.001	0.950	0.345	0.108
Model estimation		N	F	Prob > F	R²	Adj. R²
		86	0.39	0.762	0.014	-0.022
Model 1h		Coefficient	Standard error	t-value	P> t 	β
Explanatory variable	LocalCommunityEngagement	0.039	0.102	0.380	0.705	0.042
Control variables	Firm age	-0.003	0.007	-0.410	0.682	-0.047
	Firm size	0.001	0.001	1.220	0.226	0.140
Model estimation		N	F	Prob > F	R²	Adj. R²
		86	0.58	0.632	0.021	-0.015
Model 1j		Coefficient	Standard error	t-value	P> t 	β
Explanatory variable	CustomerEngagement	0.158	0.188	0.840	0.404	0.092
Control variables	Firm age	-0.004	0.007	-0.560	0.576	-0.064
	Firm size	0.001	0.001	0.850	0.395	0.098
Model estimation		N	F	Prob > F	R²	Adj. R²
		86	0.57	0.639	0.020	-0.016

APPENDIX 7 – BASIC ASSUMPTIONS OF MODEL 2

Table 19 Ramsay's RESET test, Durbin's autocorrelation, White's test and Shapiro-Wilk normality of residuals of Model 2

Model	Ramsey's RESET test			Durbin's autocorrelation			White's test			Shapiro-Wilk normality of residuals					
	F(3,79) =	chi2 =	Prob>F =	chi2 =	Prob>chi2 =	chi2(9) =	chi2 =	Prob>chi2 =	chi2(9) =	Obs	W	V	z	Prob>z	
Model 2a	F(3,79) = 0.03	chi2 = 0.042	Prob>F = 0.9934	chi2 = 0.042	Prob>chi2 = 0.8381	chi2(9) = 4.89	chi2 = 0.022	Prob>chi2 = 0.8442	chi2(9) = 3.95	resid199	86	0.98239	1.283	0.548	0.29178
Model 2b	F(3,79) = 0.53	chi2 = 0.27	Prob>F = 0.6609	chi2 = 0.307	Prob>chi2 = 0.8833	chi2(9) = 4.55	chi2 = 0.089	Prob>chi2 = 0.8716	chi2(9) = 1.39	resid200	86	0.98431	1.143	0.295	0.38419
Model 2c	F(3,79) = 0.27	chi2 = 0.307	Prob>F = 0.8488	chi2 = 0.098	Prob>chi2 = 0.5792	chi2(9) = 4.55	chi2 = 0.089	Prob>chi2 = 0.8716	chi2(9) = 1.39	resid201	86	0.98746	0.914	-0.199	0.57887
Model 2d	F(3,80) = 0.73	chi2 = 0.089	Prob>F = 0.5359	chi2 = 0.098	Prob>chi2 = 0.7651	chi2(9) = 2.48	chi2 = 0.098	Prob>chi2 = 0.9979	chi2(9) = 2.48	resid202	87	0.98528	1.083	0.175	0.43073
Model 2e	F(3,79) = 0.06	chi2 = 0.098	Prob>F = 0.98	chi2 = 0.303	Prob>chi2 = 0.7538	chi2(9) = 7.45	chi2 = 0.006	Prob>chi2 = 0.9814	chi2(9) = 3.45	resid203	86	0.98675	0.965	-0.078	0.53123
Model 2f	F(3,79) = 0.54	chi2 = 0.303	Prob>F = 0.6546	chi2 = 0.006	Prob>chi2 = 0.5817	chi2(9) = 7.45	chi2 = 0.006	Prob>chi2 = 0.5899	chi2(9) = 3.45	resid204	86	0.97916	1.518	0.918	0.17922
Model 2g	F(3,79) = 0.62	chi2 = 0.006	Prob>F = 0.6032	chi2 = 0.006	Prob>chi2 = 0.9406	chi2(9) = 3.45	chi2 = 1.342	Prob>chi2 = 0.9436	chi2(9) = 7.24	resid205	86	0.97433	1.87	1.377	0.08426
Model 2h	F(3,79) = 1.07	chi2 = 1.342	Prob>F = 0.336	chi2 = 0.178	Prob>chi2 = 0.2466	chi2(9) = 7.24	chi2 = 0.178	Prob>chi2 = 0.6119	chi2(9) = 10.64	resid206	86	0.98401	1.165	0.336	0.36832
Model 2i	F(3,80) = 0.55	chi2 = 0.178	Prob>F = 0.6463	chi2 = 0.529	Prob>chi2 = 0.6728	chi2(9) = 10.64	chi2 = 0.529	Prob>chi2 = 0.3008	chi2(9) = 6.66	resid207	87	0.98259	1.28	0.544	0.29317
Model 2j	F(3,79) = 0.37	chi2 = 0.529	Prob>F = 0.7725	chi2 = 1.828	Prob>chi2 = 0.4671	chi2(9) = 6.66	chi2 = 1.828	Prob>chi2 = 0.6728	chi2(9) = 7.77	resid208	86	0.97867	1.554	0.969	0.16621
Model 2k	F(3,79) = 0.42	chi2 = 1.828	Prob>F = 0.7406	chi2 = 1.201	Prob>chi2 = 0.1764	chi2(9) = 7.77	chi2 = 1.201	Prob>chi2 = 0.5578	chi2(9) = 6.89	resid209a	86	0.98934	0.776	-0.557	0.71118
Model 2l	F(3,79) = 0.66	chi2 = 1.201	Prob>F = 0.5806	chi2 = 1.576	Prob>chi2 = 0.2731	chi2(9) = 6.89	chi2 = 1.576	Prob>chi2 = 0.6488	chi2(9) = 6.22	resid210	86	0.98288	1.247	0.486	0.31334
Model 2m	F(3,79) = 0.97	chi2 = 1.576	Prob>F = 0.4129	chi2 = 1.257	Prob>chi2 = 0.2094	chi2(9) = 6.22	chi2 = 1.257	Prob>chi2 = 0.7175	chi2(9) = 6.9	resid211	86	0.9838	1.18	0.364	0.35787
Model 2n	F(3,80) = 1.26	chi2 = 1.257	Prob>F = 0.2921	chi2 = 0.436	Prob>chi2 = 0.2622	chi2(9) = 6.9	chi2 = 0.436	Prob>chi2 = 0.6476	chi2(9) = 5.2	resid212	87	0.99293	0.52	-1.439	0.92486
Model 2o	F(3,79) = 0.55	chi2 = 0.436	Prob>F = 0.6508	chi2 = 0.701	Prob>chi2 = 0.5093	chi2(9) = 5.2	chi2 = 0.701	Prob>chi2 = 0.8161	chi2(9) = 3.01	resid213	86	0.98381	1.18	0.364	0.35811
Model 2p	F(3,78) = 0.19	chi2 = 0.701	Prob>F = 0.9013	chi2 = 1.201	Prob>chi2 = 0.4023	chi2(9) = 3.01	chi2 = 1.201	Prob>chi2 = 0.9638	chi2(9) = 4.92	resid214	85	0.98643	0.979	-0.046	0.51825
Model 2q	F(3,78) = 1.29	chi2 = 1.201	Prob>F = 0.283	chi2 = 0.11	Prob>chi2 = 0.2731	chi2(9) = 4.92	chi2 = 0.11	Prob>chi2 = 0.8414	chi2(9) = 4.71	resid215	85	0.98146	1.338	0.64	0.2611
Model 2r	F(3,78) = 2.29	chi2 = 0.11	Prob>F = 0.0852	chi2 = 0.679	Prob>chi2 = 0.7396	chi2(9) = 4.71	chi2 = 0.679	Prob>chi2 = 0.8589	chi2(9) = 5.31	resid216	85	0.97835	1.562	0.981	0.16341
Model 2s	F(3,79) = 0.66	chi2 = 0.679	Prob>F = 0.5806	chi2 = 1.248	Prob>chi2 = 0.4101	chi2(9) = 5.31	chi2 = 1.248	Prob>chi2 = 0.8068	chi2(9) = 5.1	resid217	86	0.98649	0.984	-0.035	0.51396
Model 2t	F(3,78) = 1.13	chi2 = 1.248	Prob>F = 0.3424	chi2 = 0.005	Prob>chi2 = 0.2639	chi2(9) = 5.1	chi2 = 0.005	Prob>chi2 = 0.8259	chi2(9) = 8.31	resid218	85	0.98523	1.065	0.139	0.4446
Model 2u	F(3,78) = 1.51	chi2 = 0.005	Prob>F = 0.2185	chi2 = 0.941	Prob>chi2 = 0.9695	chi2(9) = 8.31	chi2 = 0.941	Prob>chi2 = 0.5031	chi2(9) = 9.55	resid219	85	0.98402	1.153	0.313	0.37706
Model 2v	F(3,78) = 0.17	chi2 = 0.941	Prob>F = 0.9136	chi2 = 0.068	Prob>chi2 = 0.9695	chi2(9) = 9.55	chi2 = 0.068	Prob>chi2 = 0.3884	chi2(9) = 6.79	resid220	85	0.98511	1.074	0.158	0.43733
Model 2w	F(3,78) = 0.91	chi2 = 0.068	Prob>F = 0.4398	chi2 = 0.001	Prob>chi2 = 0.7935	chi2(9) = 6.79	chi2 = 0.001	Prob>chi2 = 0.6594	chi2(9) = 7.8	resid221	85	0.98558	1.04	0.086	0.4656
Model 2x	F(3,79) = 1.8	chi2 = 0.001	Prob>F = 0.1546	chi2 = 0.634	Prob>chi2 = 0.9821	chi2(9) = 7.8	chi2 = 0.634	Prob>chi2 = 0.554	chi2(9) = 6.73	resid222	86	0.97672	1.696	1.162	0.1226
Model 2y	F(3,78) = 0.33	chi2 = 0.634	Prob>F = 0.8002	chi2 = 0.4257	Prob>chi2 = 0.4257	chi2(9) = 6.73	chi2 = 0.4257	Prob>chi2 = 0.6652	chi2(9) = 6.652	resid223	85	0.98742	0.907	-0.213	0.58453

Table 20 VIF of Model 2

CA_Product			CA_Quality			CA_Distribution			CA_Promotion			CA_Process		
Variable	VIF	1/VIF												
FirmSize	1.14	0.875	FirmSize	1.14	0.875031	FirmSize	1.14	0.875	FirmSize	1.14	0.877	FirmSize	1.14	0.8766
FirmAge	1.11	0.900	FirmAge	1.11	0.899958	FirmAge	1.11	0.900	FirmAge	1.11	0.902	FirmAge	1.11	0.9016
EnvironmentalPracticesL	1.07	0.934	EnvironmentalPracticesL	1.07	0.934273	EnvironmentalPracticesL	1.07	0.934	EnvironmentalPracticesL	1.07	0.934	EnvironmentalPracticesL	1.07	0.9342
Mean VIF		1.11												
Variable	VIF	1/VIF												
FirmAge	1.12	0.894699	FirmAge	1.12	0.895	FirmAge	1.12	0.895	FirmAge	1.11	0.898	FirmAge	1.11	0.8979
FirmSize	1.1	0.906622	FirmSize	1.1	0.907	FirmSize	1.1	0.907	FirmSize	1.1	0.909	FirmSize	1.1	0.9086
EnvironmentalPracticesO	1.03	0.972374	EnvironmentalPracticesO	1.03	0.972	EnvironmentalPracticesO	1.03	0.972	EnvironmentalPracticesO	1.03	0.975	EnvironmentalPracticesO	1.03	0.9748
Mean VIF		1.08												
Variable	VIF	1/VIF												
FirmAge	1.1	0.908957	FirmAge	1.1	0.909	FirmAge	1.1	0.909	FirmAge	1.1	0.910	FirmAge	1.1	0.910383
FirmSize	1.1	0.910804	FirmSize	1.1	0.911	FirmSize	1.1	0.911	FirmSize	1.1	0.913	FirmSize	1.1	0.912523
EmployeeEngagement	1	0.995655	EmployeeEngagement	1	0.996	EmployeeEngagement	1	0.996	EmployeeEngagement	1	0.995	EmployeeEngagement	1	0.995103
Mean VIF		1.07												
Variable	VIF	1/VIF												
FirmSize	1.11	0.902545	FirmSize	1.11	0.903	FirmSize	1.11	0.903	FirmSize	1.11	0.904	FirmSize	1.11	0.9043
FirmAge	1.1	0.909291	FirmAge	1.1	0.909	FirmAge	1.1	0.909	FirmAge	1.1	0.911	FirmAge	1.1	0.9110
LocalCommunityEngagement	1.01	0.992031	LocalCommunityEngagement	1.01	0.992	LocalCommunityEngagement	1.01	0.992	LocalCommunityEngagement	1.01	0.992	LocalCommunityEngagement	1.01	0.9922
Mean VIF		1.07												
Variable	VIF	1/VIF												
FirmSize	1.1	0.906111	FirmSize	1.1	0.906	FirmSize	1.1	0.906	FirmSize	1.1	0.907	FirmSize	1.1	0.907
FirmAge	1.1	0.908876	FirmAge	1.1	0.909									
CustomerEngagement	1.01	0.986742	CustomerEngagement	1.01	0.987	CustomerEngagement	1.01	0.987	CustomerEngagement	1.02	0.984	CustomerEngagement	1.02	0.984
Mean VIF		1.07												

APPENDIX 8 – REGRESSION MODELS HYPOTHESIS 2

Table 21 Regressions of second hypothesis

		Dependent variable: CA_Product					Dependent variable: CA_Quality					Dependent variable: CA_Distribution								
Model 2a		Coefficient	Standard error	t-value	P> t	β	Model 2f		Coefficient	Standard error	t-value	P> t	β	Model 2k		Coefficient	Standard error	t-value	P> t	β
Explanatory variable	EnvironmentalPracticesL	0.007	0.076	0.090	0.927	0.010	EnvironmentalPracticesL	0.033	0.058	0.560	0.575	0.064	EnvironmentalPracticesL	0.106	0.070	1.520	0.132	0.170		
Control variables	Firm age	-0.001	0.006	-0.190	0.851	-0.022	Firm age	-0.003	0.005	-0.760	0.450	-0.088	Firm age	0.005	0.005	0.920	0.359	0.105		
	Firm size	0.000	0.001	0.260	0.795	0.031	Firm size	0.000	0.000	0.900	0.371	0.105	Firm size	0.000	0.001	-0.450	0.652	-0.052		
Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²
Model estimation		86	0.03	0.992	0.001	-0.035	Model estimation		86	0.52	0.672	0.019	-0.017	Model estimation		86	1.18	0.324	0.041	0.006
Model2b		Coefficient	Standard error	t-value	P> t	β	Model 2g		Coefficient	Standard error	t-value	P> t	β	Model 2l		Coefficient	Standard error	t-value	P> t	β
Explanatory variable	EnvironmentalPracticesO	0.054	0.114	0.480	0.635	0.053	EnvironmentalPracticesO	0.147	0.085	1.730	0.087	0.189	EnvironmentalPracticesO	0.270	0.101	2.660	0.009	0.284		
Control variables	Firm age	-0.001	0.006	-0.240	0.810	-0.028	Firm age	-0.004	0.004	-0.930	0.353	-0.106	Firm age	0.004	0.005	0.760	0.447	0.085		
	Firm size	0.000	0.001	0.250	0.800	0.029	Firm size	0.000	0.000	0.940	0.351	0.106	Firm size	0.000	0.001	-0.330	0.746	-0.036		
Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²
Model estimation		86	0.11	0.957	0.004	-0.033	Model estimation		86	1.43	0.241	0.050	0.015	Model estimation		86	2.79	0.046	0.085	0.060
Model 2c		Coefficient	Standard error	t-value	P> t	β	Model 2h		Coefficient	Standard error	t-value	P> t	β	Model 2m		Coefficient	Standard error	t-value	P> t	β
Explanatory variable	EmployeeEngagement	0.258	0.143	1.810	0.074	0.196	EmployeeEngagement	0.297	0.105	2.820	0.006	0.296	EmployeeEngagement	0.359	0.130	2.770	0.007	0.291		
Control variables	Firm age	-0.001	0.006	-0.100	0.923	-0.011	Firm age	-0.003	0.004	-0.690	0.490	-0.076	Firm age	0.006	0.005	1.220	0.227	0.134		
	Firm size	0.000	0.001	0.290	0.769	0.033	Firm size	0.000	0.000	1.110	0.269	0.122	Firm size	0.000	0.001	-0.110	0.915	-0.012		
Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²
Model estimation		86	1.11	0.348	0.039	0.004	Model estimation		86	3.12	0.030	0.103	0.070	Model estimation		86	2.95	0.037	0.098	0.065
Model 2d		Coefficient	Standard error	t-value	P> t	β	Model 2i		Coefficient	Standard error	t-value	P> t	β	Model 2n		Coefficient	Standard error	t-value	P> t	β
Explanatory variable	LocalCommunityEngagement	0.035	0.089	0.400	0.694	0.044	LocalCommunityEngagement	0.131	0.066	1.980	0.051	0.212	LocalCommunityEngagement	0.229	0.079	2.910	0.005	0.304		
Control variables	Firm age	-0.001	0.006	-0.120	0.908	-0.013	Firm age	-0.003	0.004	-0.730	0.468	-0.081	Firm age	0.006	0.005	1.130	0.262	0.123		
	Firm size	0.000	0.001	0.250	0.807	0.028	Firm size	0.000	0.000	0.890	0.379	0.099	Firm size	0.000	0.001	-0.410	0.681	-0.045		
Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²
Model estimation		87	0.08	0.971	0.003	-0.033	Model estimation		87	1.74	0.164	0.059	0.025	Model estimation		87	3.26	0.026	0.105	0.073
Model 2e		Coefficient	Standard error	t-value	P> t	β	Model 2j		Coefficient	Standard error	t-value	P> t	β	Model 2o		Coefficient	Standard error	t-value	P> t	β
Explanatory variable	CustomerEngagement	0.307	0.162	1.890	0.062	0.205	CustomerEngagement	0.475	0.114	4.150	0.000	0.415	CustomerEngagement	0.384	0.149	2.580	0.012	0.275		
Control variables	Firm age	-0.004	0.006	-0.600	0.553	-0.067	Firm age	-0.006	0.004	-1.430	0.157	-0.149	Firm age	0.004	0.005	0.670	0.505	0.074		
	Firm size	0.000	0.001	0.180	0.861	0.020	Firm size	0.000	0.000	0.860	0.394	0.089	Firm size	0.000	0.001	-0.340	0.736	-0.038		
Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²
Model estimation		86	1.28	0.286	0.045	0.010	Model estimation		86	6.47	0.001	0.191	0.162	Model estimation		86	2.44	0.070	0.082	0.049

Table 22 Regressions of second hypothesis

		Dependent variable: CA_Promotion					Dependent variable: CA_Process						
Model 2p		Coefficient	Standard error	t-value	P> t	β	Model 2u		Coefficient	Standard error	t-value	P> t	β
Explanatory variable	EnvironmentalPracticesL	0.041	0.072	0.570	0.571	0.065	EnvironmentalPracticesL	0.076	0.073	1.040	0.300	0.119	
Control variables	Firm age	0.002	0.006	0.340	0.738	0.039	Firm age	-0.001	0.006	-0.230	0.815	-0.027	
	Firm size	0.000	0.001	0.500	0.615	0.059	Firm size	-0.001	0.001	-0.900	0.372	-0.105	
Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²
		85	0.36	0.779	0.013	-0.023			85	0.57	0.637	0.021	-0.016
Model 2q		Coefficient	Standard error	t-value	P> t	β	Model 2v		Coefficient	Standard error	t-value	P> t	β
Explanatory variable	EnvironmentalPracticesO	0.100	0.107	0.940	0.351	0.104	EnvironmentalPracticesO	0.153	0.109	1.410	0.163	0.156	
Control variables	Firm age	0.002	0.006	0.280	0.780	0.033	Firm age	-0.002	0.006	-0.300	0.766	-0.034	
	Firm size	0.000	0.001	0.570	0.568	0.066	Firm size	0.000	0.001	-0.790	0.430	-0.091	
Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²
		85	0.55	0.649	0.020	-0.016			85	0.87	0.460	0.031	-0.005
Model 2r		Coefficient	Standard error	t-value	P> t	β	Model 2w		Coefficient	Standard error	t-value	P> t	β
Explanatory variable	EmployeeEngagement	0.329	0.127	2.600	0.011	0.277	EmployeeEngagement	0.221	0.137	1.610	0.112	0.176	
Control variables	Firm age	0.001	0.005	0.270	0.784	0.031	Firm age	0.001	0.006	0.140	0.892	0.016	
	Firm size	0.000	0.001	0.650	0.518	0.072	Firm size	0.000	0.001	-0.630	0.532	-0.072	
Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²
		85	2.4	0.074	0.082	0.048			85	1.02	0.389	0.036	0.001
Model 2s		Coefficient	Standard error	t-value	P> t	β	Model 2x		Coefficient	Standard error	t-value	P> t	β
Explanatory variable	LocalCommunityEngagement	0.195	0.081	2.410	0.018	0.257	LocalCommunityEngagement	-0.013	0.086	-0.150	0.883	-0.016	
Control variables	Firm age	0.002	0.005	0.340	0.738	0.037	Firm age	0.000	0.006	-0.060	0.953	-0.007	
	Firm size	0.000	0.001	0.450	0.655	0.050	Firm size	0.000	0.001	-0.690	0.490	-0.080	
Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²
		86	2.17	0.098	0.074	0.040			86	0.2	0.895	0.007	-0.029
Model 2t		Coefficient	Standard error	t-value	P> t	β	Model 2y		Coefficient	Standard error	t-value	P> t	β
Explanatory variable	CustomerEngagement	0.304	0.154	1.980	0.051	0.216	CustomerEngagement	0.109	0.160	0.680	0.498	0.076	
Control variables	Firm age	-0.001	0.006	-0.210	0.831	-0.024	Firm age	-0.003	0.006	-0.580	0.561	-0.067	
	Firm size	0.000	0.001	0.530	0.600	0.060	Firm size	0.000	0.001	-0.720	0.472	-0.083	
Model estimation		N	F	Prob > F	R ²	Adj. R ²	Model estimation		N	F	Prob > F	R ²	Adj. R ²
		85	1.47	0.229	0.052	0.017			85	0.5	0.683	0.018	-0.018